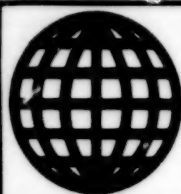


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**FOREIGN
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China

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19 July 1988

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SOVIET UNION

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SOVIET UNION

SHIJIE JINGJI DAOBAO Views Soviet Foreign Policy Change

Adjusting Relations With West
40050237a Shanghai SHIJIE JINGJI DAOBAO
[WORLD ECONOMIC HERALD] in Chinese
25 Apr 88 p 5

[Article by Feng Shaolei [7458 4801 7191], Soviet and East European Research Institute, Shanghai: "Prerequisite and Background to the New Concept in Soviet Foreign Relations; USSR's Adjustment of Relations With the West is the Result of Pursuit of Domestic Reform Which Inevitably Must be Preceded by Economic Development"]

[Text] Somewhat over 2 years have passed since the 27th CPSU National Congress. Two years ago, at the 27th CPSU National Congress, Arbatov, expert on international problems at the U.S.-Canada Research Institute of the Soviet Academy of Sciences, implicitly revealed "that there will be some self-reflection in the area of past foreign relations" and "there will be a change in what had been in the past a state of affairs which lacked vitality in foreign relations." Compared with these demands, we can now indeed discern in the overall outline what the new Soviet concept of foreign relations is. Realistically, we must, on the one hand, soberly "listen to what they say and observe what they do." But the situation also demands of us that we not remain satisfied with merely summarizing experiences from actual practice, but that we also reflect on the theoretical aspect of Soviet foreign relations.

Prerequisites and Substance in the Readjustment of Relations With the West

Briefly summarized, following the 27th CPSU National Congress, the changes in Soviet references to relations with the West show up in the following areas: First, in the question of the mutual relationship between war and politics. Primakov, director of the Institute for World Economy and International Relations, and considered a top advisor to Gorbachev, expressed the opinion: Hereafter, "in ensuring security for all nations, priority must be given to political measures." This means—quite different from the traditional viewpoint that war is the continuation of politics—that with the annihilation of all mankind that nuclear war would entail, war can no more achieve political objectives. Second, as to the nature of present-day imperialism, Soviet scholars believe that since the world has now arrived at a state of a high degree of mutual dependency, capitalism has relinquished militarism, and that capitalism is steering a course of peaceful development, which is indeed a realistic choice. When Primakov met American journalists, June last year, he clearly expressed it thus: "Rapid advances of the capitalist economy need not necessarily give rise to a militarist trend." Early November last year, in a report

prior to the Soviet celebration of the October Revolution, even Gorbachev himself mentioned in form of a questions: "If militarism is abandoned, why should capitalism not play a role economically and continue its development?" Third, concerning the Soviet Union's new military strategy, the Soviet Union, on the one hand, proposes that the level of nuclear armament be reduced, while the equilibrium between the Soviet Union and the United States in the strategic nuclear field be maintained. On the other hand, Gorbachev, Primakov, and Defense Minister Yazov have on different occasions stated that their new defense principle is one of so-called "reasonable sufficiency," which indicates that the Soviet Union wishes to maintain nuclear and conventional forces at the minimum needed for defense. But at the same time they declared that this needed minimum will change not according to any of their own attitudes, but according to the attitudes of the West. Fourth, on the question of regional conflicts. Soviet scholars have put forward the proposal to "regionalize regional conflicts." Primakov once said that we must not observe regional conflicts through the multifaceted prisms of Soviet-U.S. conflicts, because doing so would obstruct the solution of such conflicts. Fifth, the Soviet Union has decided to energetically push on with its economic relations with the West, vigorously import foreign capital and technologies, and initiate joint ventures.

Where are the Prerequisites for Soviet Adjustment of Relations With the West

Many Western observers believe that this is the inevitable result of Gorbachev's pursuit of domestic reforms which have to be preceded by economic development.

Speaking of historical experiences, the following formula applies without being tied to any particular condition: Demand for accelerated economic development is bound to lead to efforts toward a peaceful atmosphere in foreign relations. In history it has often happened that acceleration of economic development was motivated by the threat of an impending war. The reason for this is that the direction of foreign relations is not determined by one country's subjective will and desire, but must be deduced from the intricate and complex mutual relations throughout the entire international society. Simply expressed, this writer believes that the various anti-war peace factors in the current international system constitute a universal and forceful rebuff against factors that would tempt anyone to launch a war. For these reasons the Soviet Union has no choice but to adopt for the time being a tactical policy of combining domestic economic development with relaxation in foreign relations. Furthermore, according to what this writer had personally seen and heard during his stay of study and observation in the Soviet Union, the Soviet people are weary of war and wish for peace. The young do not want to go and fight in Afghanistan; this is an open secret visible in the

mass media of TV and movies. This tendency, fired by the slogans of political "glasnost" and democratization, also has its influence on the readjustment of foreign relations.

Relations With Socialist Countries

40050237b Shanghai SHIJIE JINGJI DAOBAO
[WORLD ECONOMIC HERALD] in Chinese
2 May 88 p 4

[Article by Feng Shaolei [7458 4801 7191]: "The New Soviet Concept: Soviet Relations With Socialist Countries"]

[Text] The change in the Soviet conception of its relations with socialist countries and in the question of the international communist movement has had its own developmental history. As to the question of the international communist movement, Zagladin early last year announced during an important speech that under the present conditions the international communist movement has no center, and that, under the present conditions, there is also no need to call a meeting of world communists. At the celebration of the 70th anniversary of the October Revolution, when Gorbachev met with the delegations of communist parties and movements from various countries, he admitted with even greater candor: "In this time of stagnation, the socialist international movement has declined." "The entire communist movement is also in need of innovation and change in character." In the question of relations with socialist countries, "each socialist country and ruling party is entitled to seek its own developmental road." Phrases like this are frequently heard in recent times in public speeches by leaders in party and state. Among highest leaders in the CPSU after Lenin, Gorbachev was not the first who brought up the issue that each country is entitled to seek its own developmental way. The thing is that Gorbachev bringing up this principle again at this juncture has new preconditions and new connotations.

First, at the same time as formal open criticism of Stalin appeared on the first page of the official government publication for his mistaken ethnic chauvinism in his early years, the question of resuming and developing relations with socialist countries was brought up.

Second, some Soviet experts on East European questions have recently stated: "In the developmental stage of socialism, we must not, according to our own wishful thinking, deny the contradictions in internal affairs and in the sharp confrontations between countries." They also stated the need for a reexamination of major historical problems between the Soviet Union and the countries of Eastern Europe. In 1984, in their book "Study of Modern Conflicts," written by famous Soviet experts on international relations, (Ganteman), Arbatov, and others, one writer still expresses the opinion: "No conflicts arising from sharp confrontations exist between socialist countries." The formulation is nowadays quite different. According to what this writer observed and heard in the

Soviet Union and in East European countries, the Soviet intention to reexamine major historical questions has evoked vivid repercussions in Eastern Europe.

Third, the Soviet Union's intention to readjust its relations with the socialist countries, not only brings up again major historical questions, but also touches on some sensitive problems of today, CEMA being one problem that affects major material interests of the various countries. However, in this year's January issue of SOVIET SLAVIC STUDIES, Novopashin stated: The foreign trade monopoly of the Soviet Ministry of Foreign Trade and the State Commission for Foreign Economic Relations was the reason in 1971 for not implementing and realizing the CEMA program for unifying the socialist economy. He furthermore stated: "The CEMA program for scientific and technological progress up to the year 2000 also contains many complicated problems." One of the most sensitive problems, the conversion rate for prices within CEMA, is now openly discussed in articles written by Soviet scholars.

Fourth, on the question of allowing every country to choose its own developmental way, new interpretations have appeared. In May last year, Loginov, Soviet deputy foreign minister and member of the Central Committee, in a discussion with reporters of the MOSCOW NEWS, stated: "In the early years of establishing a regime of the people, fraternal countries naturally referred to the Soviet Union as the only experience of establishing socialism." But today, since the various countries have built up their own industry, set up their own effective economic control organs, their ruling parties have gathered their own political experiences and enhanced their own prestige, they will not accept models for mechanical imitation."

Fifth, Soviet scholars, furthermore, stated that it is necessary to vigorously develop contacts between people, develop travels and cultural exchanges between people, in order to promote democratization of international relations.

Sixth, since last year, leaders of the CPSU repeatedly emphasized that in order to institute political reforms, it is necessary to first change concepts, change understandings. They severely criticized the theorists for "not having been able to actively become advocates and protectors of new things and advanced thinking." Yakovlev, secretary of the CPSU Central Committee, in an article published in the August 1987 issue of THE COMMUNIST even went so far as to state: Some Soviet historians "played a bad role in the past during the ideological propaganda war with Yugoslavia." This stern attitude is undoubtedly an encouragement to academic circles.

At the same time, the Soviet Union, by internally pursuing "democratization" and deepening its reform, is directly laying a foundation for a change in direction in its foreign relations. For instance, when Novopashin

analyzed the problems in the work of CEMA, he stated that the crucial point is the method of administrative centralization of management and failure to allow economic levers to play a role. The present domestic reforms in the Soviet Union also directly affect foreign economic relations. While emphasizing intensified democratization in the internal relations within the large family, Novopashin even quoted Engels: "If internally democracy is tied up hand and foot, democracy in foreign relations cannot be imagined." Obviously, Soviet scholars are already linking domestic processes with the concept of change in foreign relations.

All this explains that the change in direction in their theories on relations between the Soviet Union and the socialist countries has reached an unprecedented level.

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History of CPSU National Conferences Reviewed
40050295 Shanghai GUOJI ZHANWANG [WORLD
OUTLOOK] in Chinese No 9, 5 May 88 pp 16-17

[By Tao Qiyi [7118 0003 0001]]

[Text] The Central Committee of the Communist Party of the Soviet Union [CPSU] decided at a plenary session in January 1987 to convene the party's 19th conference in June this year, 47 years after it held its last, 18th, national conference in February 1941. Naturally the coming conference has become the focus of world attention.

Party conferences play an important role in CPSU history. They had their origins in a resolution passed at the third congress of the Russian Social Democrat Labor Party. The resolution said, "Uniting party work is an urgent demand of party life and is best achieved by jointly discussing all the issues of the theory and practice of social democracy." The party congress hoped that both the CPSU Central Committee and local committees would call all sorts of representative conferences as often as possible. Thereafter, representative conferences began to play a role in party life.

Altogether seven national party conferences were held before the October Revolution. At the first national party conference, held at a tense moment during the December 1905 armed uprising, the Bolsheviks discussed such burning policy issues as the restoration of party unity, the convening of a united party congress, and the boycott of the national Duma elections. At the fifth national party conference in 1908, Lenin's supporters scored a major victory over the Mensheviks who were trying to abolish the Russian proletarian party. The sixth party conference, which met in Prague in 1912, saw the expulsion of the Mensheviks, the culmination of the uncompromising ideological struggle waged by the Bolsheviks to defend the purity of the Marxist-Leninist revolution, and reestablished central organs that had

been destroyed. It had decisive importance for furthering and consolidating the new Bolshevik party. The seventh national party conference of April 1917 was the first party conference held openly. In fact this conference functioned like a party congress. The February Revolution has been a battlefield as well as a meeting ground of a multitude of class forces. In his wisdom, Lenin realized the possibility of a socialist revolution in Russia. Lenin brought to light not only the logic of a proletarian democratic revolution developing into a socialist revolution, but also the form of achieving this process, namely the Bolshevikization of the Soviet. And the essence of Bolshevikization lay in helping the people and masses understand the goals of their struggle and carry out a revolution out of self-interests.

After the October Revolution, the national party conference was written into the Russian Communist (Bolshevik) Party constitution and the convening of party conferences became a party rule. The party conference, held between party congresses, became a supplement to the latter. At a national party conference, major policies decided upon at a party congress were amplified, elaborated, and substantiated and important issues relating to the destiny of the party and socialist construction were discussed and resolved. The party conference was also a forum where struggles with a variety of opportunists and factions were played out. It was at the 10th party conference in 1921 that Lenin set forth in full the thinking behind his New Economic Policy [NEP] and that the "Russian Communist (Bolshevik) central work plan" was passed. Commenting on the plan, Lenin explained the necessity for party organs to unite non-party personages even more closely and review the actual work experience of party organs everywhere, suggestions that were accepted by the conference. The resolutions of the 14th national party conference of 1925 had enormous theoretical and practical significance; the conference arrived at the conclusion that it was possible for socialism to triumph in one nation first. The 15th conference of 1926 analyzed the situation at the beginning of industrialization, discussed the party's mission in the new stage of socialist construction, and politically evaluated the Trotsky-Zinoviev opposition. The 16th party conference of 1926 played a key role in mobilizing the forces of the entire party and the whole population in setting off an upsurge in socialist construction by passing the first 5-year plan of national economic development. Henceforth, socialist transformation went under way in almost every area of social life. As a matter of fact, under the leadership of the CPSU Central Committee, the Soviet Union rebuilt its heavy industry and achieved electrification nationwide within a short time. At the same time, the administrative command system, which took shape in the course of industrialization and was strengthened during collectivization, came to influence the entire social political life. The set of arrangements used in the struggle with the exploiting class was mechanically duplicated in the period of socialist construction, giving rise to an atmosphere of rigidity, hostility, and suspicion in the nation. Later this kind of political

practice was amplified. There arose the erroneous "theory" of the sharpening of class struggle in the course of socialist construction, followed by Stalin's personality cult and the widening of the elimination of counter-revolutionaries. The 18th National Party Conference of 1941 aimed at mobilizing socialist economic potential and further strengthening industry and transportation to adapt to and meet urgent defense needs.

That was the last national party conference. At first the suspension was made necessary by wartime conditions, but both party constitutions passed by the 19th and 22nd congresses deleted the provision on the convening of party conferences. Although the 23rd Party Congress restored the provision, no conference had been called.

It should be noted that apart from the national party conference, there were other representative conferences convened by localities and special organizations, such as the party organ and committee conferences, foreign branch conferences, and conferences for party organs in the military.

It is not hard to see from a review of CPSU history that party conferences are often called at a critical turning-point in the revolutionary struggle and represent an important means of achieving party consensus and resolving major issues. As far as the importance of resolutions passed is concerned, many party conferences are the equal of party congresses. Reportedly the agenda of the 19th national party conference scheduled for 28 June 1988 is as follows: 1) Discuss the implementation of the resolutions adopted at the 27th Congress of the CPSU and review the first half of the 12th 5-year plan and the intensification of reform in party organs; and 2) Work out measures to further democratize party and social life. Conference delegates will be chosen in accordance with the ratio 1 : 3780 and hence will not number less than 5,000.

Gorbachev has high hopes for this conference. He told a plenary session of the CPSU Central Committee back in January 1987, "We remember that the conference has been called more than once in history. At various turning-points, it helped people see new ways to reach set objectives and solve various problems far beyond the realm of strategy." However, it is too early to tell whether this party conference will achieve the anticipated results.

12581

EAST EUROPE

Reform of Hungarian Political Structure Discussed

Theoretical Preparation

40050236a Shanghai SHIJIE JINGJI DAobao
[WORLD ECONOMIC HERALD] in Chinese
4 Apr 88 p 5

[Article by Su Kaiyuan [5685 7030 3293]]: "Hungary: Reform of the Political Structure Requires Theoretical Preparation"]

[Text] Reform of the political structure is a difficult and complex piece of systems engineering, because the exist-

ing political structure is divided into various regional structures, while all are again combined into one entity. Each region has a relative measure of independence, but the regions are then again tied up with each other in a hundred and one ways. A major change in whichever region will influence and affect the other regions.

Prominent members of the Hungarian party realize that to have this complex reform of the political system proceed along a rational track requires intensive theoretical preparation. Through in depth analysis and study, they found out that the party is the decisive element in the political structure, and they concluded that to launch an appropriate and systematic study on the special topic of the fundamental question of the party and the relationship between government administration and party can evolve a rational and very clear and distinct reform-oriented train of thoughts.

For this purpose, the Hungarian party, in 1985, set up a Political Structure Reform Committee, constituted by members of the Central Committee, with seven subcommittees. First of all, each subcommittee requested 8 to 10 specialists with abundant experience and singular familiarity with conditions to submit written suggestions. They also requested several research institutes and universities to undertake analyses and studies. On this basis, seven aspects of problems around the central theme of party and relationship between government administration and party were sifted out and subjected to specific studies in the seven subcommittees. The seven aspects are: 1) The historical experience of developing the political structure; 2) Questions regarding the internal life of the party, activities in the forum of the party, and work methods of the party; 3) Activities in the various organs and organizations of the party and their mutual relations; 4) The relationship between the party and the various levels of the government (central, intermediary, and basic levels); 5) Relation of the party to economic work and economic organizations; 6) Relations of the party with social organizations and the question of the guiding role of the party; 7) The leadership role of the party in the areas of thought, ideology, culture, art, and propaganda. The results of these studies were to be submitted to the Central Committee.

Prominent members of the Hungarian party are of the opinion that the reform is a conscious response to the new trend within Hungary and on the international scene, and that intensified theoretical studies will add to this action a larger element of self-awareness. Because Hungarian history and world history are continuously progressing, reform activities that adapt to the trend of the time must also not halt, and the reform experiences of any particular country must also not congeal into rigidity. Although Hungary has accumulated abundant practical experience and theoretical results in its reform, they do not present their own method as a "model," and ask other countries not to take their experiences as "model and type to emulate." Only by a constant destruction of the "idols" in one's mind, by continuous

and in depth study of the new conditions and new problems in the actual performance of reform, can one have the light of rational thinking light up the ever widening road of reform practices.

Government Structure Reform

40050236a Shanghai SHIJIE JINGJI DAobao
[WORLD ECONOMIC HERALD] in Chinese
2 May 88 p 4

[Article by Zhai Bian [5049 6708], Chen Hongbin [7115 7703 2430], editor: "A One-Time Important Reform of the Hungarian Government Structure"]

[Text] In the spirit of the 13th Congress of the Hungarian Socialist Workers' Party, Hungary began at the end of last year the largest reform of its government structure since 1967. By now, this work has basically been completed. As from 1 April, the various government ministries and bureaus began work according to the new disposition. This structural reform had the following four special features:

1. A reduction in organs and retrenchment in the staff establishment. Last year, the Hungarian National Assembly passed a law on the establishment of a new government structure and a resolution on the appointment and dismissal of leadership personnel. The number of deputy premiers was reduced from 5 to 2 persons, the ministry of foreign trade was merged with the ministry of commerce, three commissions, including the national planning commission, were combined into one planning and economic commission. After the reform, the national leading organs were reduced from 25 to 20, and the staff establishment generally reduced by 15 to 25 percent. The government also readjusted the duties and scope of authority of the various ministries and bureaus.

While effecting these adjustments in the various ministries and bureaus, the government is at the same time studying reorganization in organs subordinated to ministries or bureaus. There are now 50 such organs with personnel of 8,000. For these organs the government will decide on either abolishing them, merging several of them, reducing their staff establishment, as the particular case may be, or changing some industrial units into business organizations, and to readjust their allocations of manpower, material resources, and financial resources. It is estimated that these reforms can save 250 million forints in expenses. Hungary's leaders emphasize

that the purpose of reducing the organs is to strengthen unified leadership, reduce overlapping, overcome bureaucratism, and enhance efficiency.

2. Criterion for appointments to leading positions to be the capability to perform. Many persons and a large range of activities are affected by the present reform. Four deputy premiers, 6 ministers, and 10 state secretaries have been dismissed, while new people were appointed to the respective posts. According to each person's capability and the work requirements, there were promotions and demotions. Some of the original persons in leadership positions were transferred some were retired, and some continue to assist particular ministries or bureaus in their work.

3. Adjustments in government functions, rendering effective service. The present Hungarian government reorganization signifies not only a change in government agencies and personnel, but also as one of its purposes a readjustment of government functions. From now on the government will not only perform leadership functions, but also service functions, establishing new patterns of relationships with enterprises, organs representing various interests, and social organizations. On the other hand, the government will play an even greater role in determining policies on questions of social and economic developments. The Hungarian Government has already decided to establish several commissions to study such questions as the modernization of government leadership.

4. Increased openness, improvement of workstyle. Hungarian leaders believe that in order to be effective administrators, it is necessary to practice an increased openness and to enhance supervision of the government administration by the general public. At present, a government spokesman has already been appointed. After each regular meeting of the council of ministers, the government spokesman will report to the public media on the proceedings at the meeting and reply to questions from correspondents, so that the transactions of the meetings will be published. In addition it is intended to have a spokesman for foreign affairs, to report to foreign journalists on relevant affairs. The Hungarian Government has furthermore decided that future laws and bills must all undergo discussions by specialists and by the general public.

Causes of Bureaucratism Examined
40050277Nanjing QUNZHONG [THE MASSES] in
Chinese No 3, 5 Mar 88 pp 11-12

[Article by Liu Jiagui [0491 0857 2710]: "An Analysis of the Causes Which Breed Bureaucratism"]

[Excerpts] In 1891, when summarizing the lessons of the experience of the Paris Commune, Engels said that after seizing political power, the proletariat must adopt resolute measures "to prevent people from chasing after promotions and getting rich", and prevent government functionaries from "changing from servants of society to masters of society." Lenin pointed out that preventing "changing from servants of society to masters of society" is to prevent these people from "becoming bureaucrats," i.e., "changing to holders of special privilege who are separated from the masses and stand above the masses."

Today as we carry out reform of the political system, these teachings of the guides of revolution still have important practical significance. This is because the phenomenon of bureaucratism is still widespread in the political life of our party and state.

How can we prevent the metamorphosis from public servant to master? First of all we must find the causes which breed bureaucratism. I think that the following are the causes which breed bureaucratism:

I. The Concept of Hierarchy and "Officials Are the Trunk" Thinking

China experienced feudal control for several thousand years and the traditional concepts of "the officials are the trunk, the people are the branches" and "the officials are noble and the people are mean" took deep root in the daily consciousness of people. Compare this to the reality: "the peasants turn to wrongdoing, the workers turn into cadre", although control is very strict, there are still many people who clearly know what breaking the rules are, yet they still try it; there is a jingle that goes, "for life you rely on pull, for being an official you rely on activity," there's more than one person now racking his brains to be active in more areas wanting to become an official and move up; just like in implementing the gold standard in currency, in implementing the "official is the trunk standard" a great deal of welfare treatment is tied to administrative rank.

II. Commodity Economy and the System of Centralized Power

It has been the case that party offices in positions of power increased the danger that cadres would be separated from the masses. In addition, our understanding of the contradictions, characteristics, and mission of the initial stage of socialism is too shallow, and we onesidedly thought that the larger and more public the forms of ownership the better, and in managing the economy

we relied primarily on planning by decree and administrative measures. Such a highly centralized planned economy is suited to the political system which had excessive concentration of authority which was established so that almost all aspects of social life were under the direct control of an "official." They managed many things which they should not have, and how could this not produce bureaucratism? Related to this is that the over-concentration of power must lead to overstaffing of organizations, and "our serious bureaucratism and the present overstaffing of organizations are inseparable."

III. Educational Backwardness and Insufficient Democracy

Autocracy needs ignorance and democracy needs enlightenment. The feudal rulers of China's past implemented an ignorant people policy of "you can get the people to obey, but you can't get them to understand" in order to maintain their feudal autocratic rule so that the educational level of the citizens was not high, there was no democratic tradition, and they lacked the ability to participate in government. Up to the present, nearly one-fourth of the population nationwide is still illiterate or semi-literate.

IV. Differences in Quality and Discrepancies Between "Master and Servant"

Between the public servants and the masters, i.e., between the cadres and the masses there is still a difference in quality: generally speaking, the cadres are higher than the ordinary masses in cultural understanding, ideological consciousness and working ability so it is hard to avoid the idea that some cadres can become a cut above the others; at the same time, the treatment of public servants is better than that of the masters. To be sure, appropriate differences in wages conforms to the principle of to each according to his labor, but we cannot "greet the official" with such non-salary special treatment as houses and cars once one becomes an "official" and let the ordinary masses "hope for their children and sigh."

V. Imperfect Legal System and Lack of Supervision

"Among the things that old China gave us, feudal autocratic traditions are more numerous and democratic legal traditions are very few. After liberation, we also did not self-consciously and systematically establish systems to guarantee the democratic rights of the people and the legal system is very imperfect." For a very long time we have engaged in "rule by a person" and not "rule by law." The citizens lack an awareness of the law and authority is short of supervision which forces a balance. Under these circumstances, some "officials" have gradually not taken the masses into account and abused their power and engaged in special privileges unscrupulously, and in some regions and units incorrect style is on the rise, corruption is serious, with the result that rights which should belong to the masters, have been stripped

by the so-called "public servants", creating an inversion of "master-servant." Some comrades have become holders of special privileges acting like tyrants over the heads of the masses.

VI. Will Is Weak and Self-Discipline Is Not Strict

Why is it that under similar external conditions the overwhelming majority of cadres can willingly be public servants, but only a small minority have turned into bureaucrats? The most basic cause is that the overwhelming majority of cadres have high aspirations and a

correct outlook on life, and thus their will is firm and they are strictly self-disciplined, and an extremely small minority of cadres can still be cautious and conscientious once they become "officials", but after a time, under the onslaught of various kinds of decadent thinking they gradually relax their demands on themselves, go in for ostentation and extravagance and seek ease and comfort but are not concerned about the suffering of the people, and as time goes on, they become serious bureaucrats and the public servant qualities are lost for good.

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NATIONAL AFFAIRS, POLICY

Strategies for Economic Development, Reform in Western Areas

40060304b Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese
No 3, 12 Mar 88 pp 23-34

[Article by Zheng Hongqing [6774 3163 1987] and Liu Tingan [0491 1694 1344]: "A Few Thoughts on the Economic Development and Reform in the Western Region"]

[Text] Natural and historical factors have given rise to tremendous differences in economic, cultural and social development between the East, Central China and the West. These differences make it necessary for us to devise a variety of developmental strategies for and approaches to economic restructuring. To this end, we should like to present our preliminary ideas, which are based on surveys, on the economic development and reform of the West.

1. In Setting Policy for the West, the State Must Take Both Efficiency and Fairness into Account and Choose an Appropriate Mix Between the Two Desiderata

Given the tremendous differences in the levels of economic development of the East, Central China and the West, what kind of policies should we adopt? Here we confront a dilemma. For if we focus entirely on economic results, major state development projects and investment will undoubtedly incline sharply toward the East, which is much better endowed economically, scientifically, technologically, and financially and in terms of information, human resources, infrastructural facilities, and the like. This is especially true for regions bordering the Pacific Ocean, Hong Kong, and Macao, which are closely linked to international markets and boast returns on inputs that are much higher than those of the interior. Relevant departments estimate that, if this "great tilt" strategy is adopted, gross national social product will by the year 2000 have grown by a total of 3 percent more than it would have under the current policy.

Nevertheless, the "tilt" strategy may also produce harmful effects. First, it will prevent the West from making full use of the massive assets the region accumulated through the "forced inputs" that were applied for several decades, so that the region's productive capacity will rapidly deteriorate, which development itself will vitiate macroeconomic results. Second, if the West's development is permitted to stagnate too long, the region will become a heavy burden on the state, and the gap between the region and the East will grow too great and produce a huge "fault," which will prevent the domestic market from entering a benign "internal cycle," threaten the East's supply of energy sources and raw materials, and impede coordinated development of the national economy and modernization of the entire country. Even

more important is the fact that most of the West is inhabited by minorities, who are concentrated in the region, and great economic disparity may spawn sensitive political and social problems, which development will undermine internal stability and unity.

On the other hand, if we focus solely on achieving balanced regional development and social fairness, we should shift key state development projects and investment to the West, which is comprised of old revolutionary bases and minority nationality, border, and impoverished regions; which suffers from a weak infrastructure and low living standards; and most of whose peasants still do not have enough food and clothing. Buffeted by a wave of reports on the economic takeoff and the rapid improvement in the standards of living of the East, the West is finding it more and more difficult to accept the growing gap in development and thirsts, as people suffering a major drought watch hopefully for rain clouds, for infusions of capital, acceleration of development, escape from poverty and enrichment. Yet if we adopt this strategy, China's limited development funds will pour into a region where input returns are lowest, resource development costs high, and results slow in coming. The resulting dearth of capital in the East will make that region stagnate and atrophy economically and cause it to lose forever this unique opportunity to make great strides into international markets. These developments, in turn, will seriously vitiate macroeconomic results, cripple the state economically and weaken the state's ability to provide material and technological support for the development of backward regions. Thus in the long run, such a strategy would also prove detrimental to the development of the West.

It is therefore apparent that we cannot seek to improve macroeconomic results by slowing the economic development of the West and by expanding the gap between the East and the West, nor can we sacrifice macroeconomic results and the East's opportunity to take the lead in entering into international economic and trade relationships in return for a rapid reduction in the gap between the East and West. This conclusion, in fact, is an amplification of the traditional contradiction between efficiency and fairness. The most sensible alternative is to establish the dual, but limited, objectives of achieving better macroeconomic results and of progressively reducing regional disparities and to seek a proper balance between the two goals. In medium-term plans, the state indeed must give priority to accelerating the East's development and concentrate more resources toward this end. But this "tilt" must not be excessive. The state must continue to support the West, be sure to increase investment to some extent and make a special effort to promote a reasonable flow of technological and human resources from the East to the West to develop the rich natural resources the West possesses so that the East, Central China and the West can depend on and benefit each other. Western comrades must soberly recognize that there will probably never again be a program like the old "three main lines," in which the state applied to the

West "forced inputs" of a tremendous amount of funds extracted from the East; that the West must completely rid itself of the dependency it has developed from being allowed to "have its favorite food" for many years, and adopt a new attitude; that the state's new "policy inputs" of capital will be much dearer than the old forced inputs and that the new inputs will have to be used much more efficiently and be much more lasting in effect; and that the keys to the West's development work are the region's ability to "use policy" and to create a mechanism that will exploit the region's strengths, avoid its weaknesses and accelerate development.

II. In Drawing Up Restructuring Programs, the West Must Proceed From the Realization That the Region Stands at the Lowest Level of the Preliminary Stage of Socialism

A number of theoretical workers have recently proposed a reform strategy calling for "decisive battle in the East and stability throughout the nation." This strategy essentially provides for acceleration of reform in the coastal areas of the East, whose productive forces are more advanced, for permitting these areas to take the lead in establishing new administrative systems, and for putting reform on hold in Central China and the West, whose productive forces are backward. We believe that differences in economic restructuring between the East, Central China and the West should be differences in emphasis, forms adopted and routes taken, and should not involve predetermining who should be fast and who should be slow and who should go first and who should "take a little rest." As the days in which the West could rely on infusions of needed resources fade into memory, the only hope the region has of escaping poverty and weakness is to use reform to develop local potential. This region's reform must not be slowed but rather must be accelerated once a correct strategy based on a thorough understanding of local conditions is established.

Living standards and economic, cultural and social development levels of China's Western region are much, much lower than those of the East. This is a basic fact that cannot be denied. As Western comrades put it, the region stands at the "lowest level of the preliminary stage of socialism." And the West's market economy undoubtedly differs in certain ways from that of the East. Our preliminary view is that the West's economy and its corresponding administrative model should at least include the following three features. First, in terms of the mix of systems of ownership, the private economy and a truly popular cooperative economy should comprise a larger share of the total economy. Second, all markets should be further opened and freed, and prices should be decontrolled a little more. Third, there should be less state command planning and administrative interference, and local government should be smaller. In short, there must be "more nonstate economy, more vigorous markets, and less administrative interference and government."

Actual conditions in the region, however, are just the opposite of the above desiderata. Gansu comrades report that the private economy accounts for only 0.04 percent of the entire economy of that province, and conditions in Shaanxi are not much different. Throughout the region, the bloated state-owned sector possesses very little vitality, is shut off from the rest of the economy, cannot compete with other sectors and is even less able to play the leading role with which it is charged. The region's markets are severely fragmented and have failed to develop into economic belts sharing similar advantages. For example, in 1986 most areas of Xinjiang exported cotton abroad, while many textile mills along a rail line in the Guanzhong region of Shaanxi had to import cotton from abroad at exorbitant prices. As for prices, the West is a major producer of energy sources and raw materials and thus primarily practices planned allocation and pricing. But most of the commodities the region receives from the outside are freely priced. So Westerners say, "The things we sell are part of the planned economy, but what we buy belongs to the market economy, and we get caught in the middle." Compared to the East, the West practices much more planned economy and is much more stifled by administrative control. The West's party-government "temple" is massive, populated with a vast pantheon of "gods," and very ostentatious. In fact, the more localities rely on subsidies, the grander their party-government edifices are. Does this tendency not run counter to the needs involved in developing market economies at the lowest level of the preliminary stage of socialism?

III. Reform Should Focus on the Urgent, Major Problems in the West's Economic Development

To escape poverty and enrich itself, the West must seek to exploit its advantages and thus must focus its reforms on the principal problems impeding its economic development. What, then, are these problems? Every comrade who has conducted surveys in the provinces and autonomous regions of the West invariably discovers that the region has abundant natural resources and that it has a number of important large and medium state-owned enterprises, factors that are frequently cited as two of the West's exceptional advantages. Yet when one examines matters a little more carefully, one discovers that most state enterprises, having engaged in rapacious operations for many years, are at the end of their ropes, and reviving these enterprises will require huge investments for renovation and transformation. Moreover, developing the natural resources of Western provinces and autonomous regions, so as to enable them to "take off astride an ore car," will also require tremendous inputs of capital. And it is money that the West lacks most. So money is a major bottleneck impeding the region's economic development.

Another major problem is a shortage of skilled personnel. Because the West suffers from such limitations as having a backward market economy, most of the inhabitants of the region are not very liberated in their

thinking, not very broadminded and not as skilled as Easterners in management. Highly skilled technicians and managers are particularly scarce in the region. The region used to be able to count on the state to assign each year a number of graduates and graduate students from key institutions of higher learning in Beijing, Shanghai and other places. But now, not only has the number of assignees dramatically declined, the personnel that was originally sent to the region has begun to "flood back like spring freshets."

To organically integrate reform and development, the West must focus its reform on resolving the serious problems of shortages of capital and skilled personnel. Any measure that helps attract funds or skilled personnel or that enables us to use funds and personnel more efficiently should be initiated as soon and as rapidly as possible. For example, while making sure not to violate relevant state regulations, we might consider transferring, for a fee, or leasing, for several decades, the right to extract some natural resources to Eastern or to Central concerns; forming, in some cases, joint ventures with foreign firms to develop resources; or encouraging qualified local enterprises to issue bonds in the East or in Central China or letting local governments issue bonds directly. We must be more courageous in transferring ownership rights, so as to make available capital truly flow more freely.

The key to attracting skilled people lies in creating opportunities for them. While "the peacock wings east and south," many "good birds"—a reference to bean-curd makers, cotton teasers, carpenters, brick layers and the like from Jiangsu, Zhejiang and Anhui—are also flying to the North and West. Why are these people willing to brave mountain and river to reach the remote West? None other than the fact that they feel there are more opportunities to make money here. From this, one can imagine that, if the West were to undertake bold and resolute reform and create a highly competitive mechanism that creates opportunities for people to strut their stuff, not just the "peacock," but even the "phoenix" would happily choose to roost here, and the bright stars that the old system had obscured would rise again and shine again in great numbers.

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[Article by Li Xiunguo [2621 4423 2654], Science and Technology Policy and Management Science Research Institute, Chinese Academy of Sciences: "The Contents and Formulation Method of a Regional Development Strategy"]

[Text] *Regional development strategy, regional long-range development planning and regional land management planning are three different concepts which are*

closely related and yet each have specific connotations. Regional development strategy consists mainly of four elements: strategic targets, strategic thought, strategic focal points, and strategic measures. The key to formulating regional development strategy lies in dealing adequately with three things: the environment, economic structure, and the leadership's decision-making. The formulation method must combine modern soft scientific methods with traditional methods, soft scientists with hard scientists, local personnel with personnel from outside the region, and theory with practice.

1. Regional Development Strategy

Regional development strategy is an overall goal, policy, and tactic for local development; perhaps it could also be called a comprehensive guiding principle and mission. The strategy has three distinct characteristics: generality, farsightedness, and division into stages.

Regional development strategy consists of many elements, but the main ones are strategic targets, strategic thought, strategic focal points, and strategic measures.

Strategic targets generally include: (1) economic development targets, such as gross value of social production, average per capita income, growth rate, etc.; (2) social development targets, pertaining to such areas as education, hygiene, the environment, level of consumption, public welfare, law and order, etc.; (3) scientific and technological development targets, pertaining to level of scientific and technological development, training qualified scientists and technicians, extending the achievements of science and technology, etc.

Strategic thought refers to such things as plans and tactics for economic, social, and scientific and technological development; the principle of utilizing objective advantages such as resources, manpower, financial resources, and information, while avoiding disadvantages; plans for monetary, public finance, and management systems; and the direction, form, and scope of relations with other regions, both within and outside of China. Strategic thought is the heart and soul of the whole strategic system, and is the key to the success of the strategy.

Strategic focal points include: (1) economic sectors given priority for development; (2) scientific and technical projects given priority for development; and (3) social problems given priority for solution.

Strategic measures include steps and stages of implementation, policy measures intended for adoption, establishment of organization, fund-raising channels, etc.

We have learned from actual work experience that, with regard to a specific region, the key is to deal adequately with three things: the environment, economic structure, and the leadership's decision-making. To use traditional

Chinese terms, these correspond to timeliness, topographical advantages, and unity within the ranks. "Timeliness" means that the environment (in the broad sense) of the area in question should be suitable, "topographical advantages" means the economic structure should be advantageous, and "unity within the ranks" means that the leadership's decision-making be correct. One Japanese scholar believes that the reason for Japan's rapid post-war development was that these three conditions were satisfied. He says that first, governmental decision-making was correct (corresponding to unity within the ranks); secondly, research by advisory bodies clarified the environment and conditions, ensuring the correctness of decision-making (corresponding to topographical advantages); thirdly, post-war Japanese business and industry units were independently managed, ensuring that the economic structure was suitable to Japan's environment (corresponding to timeliness). Therefore, whether a strategy is good or bad depends on whether its handling of these three factors is good or bad. The formulation of a good development strategy depends on rationally utilizing such factors as manpower, funds, technology, and the market based on one's own environmental science, and forming the economic structure most suitable for the region, thereby making the most effective use of resources to bring long-term prosperity to the region.

To this end, I believe that in implementing strategic research it is first necessary to do work in the following three areas:

A. Environmental Analysis

Laying a foundation for determination of strategic target, in order to clarify the position and role of the region within a larger region and within the nation as a whole.

Environmental analysis must stress the analysis and clarification of the following: (1) local environment (natural resources, population, talented personnel, education, the existing economic base, local market); (2) external environment (communications and transportation, information energy supply (particularly electricity), surrounding resources, domestic market current policies, general strategy of the nation or the larger region); (3) international environment (international scientific and technological development conditions of international markets into which inroads can be made—demand, supply, form of trade, competition, international political situation). With regard to this environment, we must clarify both its present situation and the trend of its development. This trend is particularly important for the formation of strategy. Our experience has been that one must be willing to make an effort in this area, and can't be sloppy. Much strategic thought has been gradually formed while working in this area. When we were working out the development strategy of Daqing Oilfield, we laid out a total of seven systems, of which four

were developed by environmental analysis. Our first research report on the Daqing development strategy was entitled "A Study of the Strategic Position and Environment of Daqing."

B. Economic Structure Research

Through this phase of research combined with environmental analysis, strategic thought is gradually established and strategic focal points are clarified. The research generally consists of six aspects:

1. Distribution of production capacity

Clarification of the degree of its equitability and the advantages and disadvantages of the distribution.

2. Industrial structure

It is necessary to emphasize research regarding the following: (1) the present condition of the first, second, and third industries, and their equitable proportion. In this, attention must be paid to the fact that although development is currently biased toward China's third industry, the third industry is limited by the degree of development of the commodity economy, and we must not blindly increase the ratio. (2) The distribution of primary products, intermediary products, and final products, and the best product mix model. Currently all localities are emphasizing the development of processing, and the direction they are taking is correct. However, care must be taken not to destroy the whole, especially the product mix model of the whole country, and prevent a repeat of the lesson learned in recent years when many small cigarette factories suddenly appeared in the tobacco-growing regions and the large cigarette factories found themselves without raw materials, while the small factories used the good tobacco to manufacture inferior-quality cigarettes. Currently, those regions where the main industry is raw material-type industry all want to develop processing industries, and an investment imbalance has occurred. This could aggravate the shortage of raw materials and destroy what is best for the whole, so it merits attention. (3) Analysis and determination of mainstay industries, heterodirectional industries, dominant industries, and bottleneck industries. (4) Determination of basic industries, priority industries, breakthrough industries, conventional industries, and limited industries. Analysis of the first three industrial structures proceeds from the standpoint of how to rationalize the structure. The last is analysis from the standpoint of industrial policy. Rationalization of the industrial structure is achieved by seeking what to develop, limit, or rely upon in a given period.

3. Management methods

This includes: (1) the growth and decline of the composition of the product economy and the commodity economy; (2) the situation regarding the system of ownership and management rights; (3) the relationship

between central enterprises and local enterprises, the relation of whole to part; (4) the conditions, limiting factors, and development trends of joint, open business groups.

4. The condition of the financial structure and monetary system

This includes: (1) rate of accumulation, interest tax, and retention; (2) fund-raising, lending and borrowing of short-term funds, and financing channels; (3) prices and pricing policy.

Although funds are a strong limiting factor on the development of China's economy, science and technology, and education, development policy has usually failed to take this most important factor into account. This is the main cause of the failure or shelving of strategies. When considering strategies, funds must be taken into account. Those engaged in research on strategy must have a head for economics, and at the heart of this is the concept of funds.

5. Scientific and Technical Capability

Of primary importance are: (1) capability for digesting and absorbing new technology; (2) capability for developing new products and new technologies; (3) capability for developing new technology industries; (4) capability for transforming research into productivity. These scientific and technical capabilities inevitably lead to beneficial results in industry and the economy, particularly as a foundation for the future economic structure, and are a focal point for research on regional economic structure. Past strategic research has had the defect of degenerating into mere slogans and lacking content. The key to the analysis of scientific and technical capability is to clarify how science and technology play a role in each type of industry and in each region, and how we depend on this capability.

6. Foreign Economic Activities

We must analyze clearly the following: (1) the domestic supply of related raw materials and the product market; (2) the foreign supply of related raw materials and product market. Only by clarifying these conditions can we determine the strategy for foreign economic activities.

Economic structure research is the core of regional development strategy research. The formation of strategic thought and strategic focal points are primarily in this area. Most of the efforts we have made for over a year in analyzing Daqing, except for environmental research, have been in this area. Our proposal that Daqing confront three strategic transformations was arrived at through research on the economic structure.

C. Inquiry Into Leadership Decision-Making

Strategy serves the development of the entire region, but it must first be accepted by the leadership, and therefore it can also be said that strategic research first serves the leadership. Therefore, research must be carried out regarding the leadership's decision-making process, the establishment of implementing agencies, and their implementation mechanisms, in order to improve the rate of adoption and the rate of effectiveness after implementation. We believe that a strategy's rate of effectiveness depends upon two factors: first, whether the level of the strategy itself is realistic, while at the same time having a deep strategic significance; and secondly, the degree of acceptance of the strategy by the cadres and masses, especially the leading cadres, and the methods of implementation. A strategy's rate of effectiveness is often greatly reduced because it is not adequately understood and accepted by the leadership and the vast numbers of cadres, and there is no lack of instances of this. Therefore, the question of the determination and implementation of strategy should become a component part of regional development strategy research. We should therefore study the following:

1. The nation's overall strategy, overall policy, and related laws. Regional development strategy cannot be at odds with this, or it will be unable to obtain the support of the higher authorities and the concerned departments, and even meet with opposition from them, and be unable to be implemented.

2. The strategies and policies of surrounding regions. Strategy must be interconnected and be the same. One's own development cannot be at the cost of harming others.

3. There must be effective implementation agencies. There currently exists the phenomenon of having agencies formulating strategy but none implementing it, with the result that strategy is laid aside and neglected. Therefore, in studying strategy we must consider the matter of implementing agencies.

4. Method and procedure of decision-making. At the heart of this is unification of the leadership's will with the will of the people, so that the leadership's decisions become the people's wish and the will of society as a whole. According to research by Western scholars, one reason that Taiwan's economy developed relatively rapidly was that the policy decisions by Taiwanese authorities in related economic areas were first put forward by the business sector, and thus reflected the wishes of businessmen. Therefore, they were implemented with little resistance.

The foregoing is my view of what the regional development strategy should be. Because conditions differ from region to region, it may be augmented or reduced. Strategy must be formulated in line with local conditions and applied flexibly.

II. Problems to Which Attention Should Be Given in the Process of Formulation

A. Is it a Question of Growth or Development?

"Growth" refers to economic growth. Following the Second World War, most Third World countries regarded the pursuit of economic growth as their basic strategy. Later, practice proved that almost all countries which adopted this kind of strategy failed. This compelled some development strategy researchers to inquire into the causes of the failure, and they put forward the concept of "growth without development"

"Development" is a sort of complex concept which involves many political, social, scientific and technical, cultural, and economic variables. The problem is to consider growth in connection with politics, society, and culture, rather than simply regarding growth as the main content of development. The focus of our strategy is not simple economic growth, it is development. Naturally, since each country's political, cultural, and economic background is unique, the actual implications of each one's development will differ. It generally includes the following: (1) political and social stability; (2) economic stability (i.e., the absence of such phenomena as inflation, foreign trade imbalance, budget deficit, and capital outflow); (3) economic growth; (4) equal opportunity for the people; (5) improvement of the quality of life (usually measured by such indicators as cultural level, average life expectancy, infant mortality rate, distribution of goods, etc.).

The World Bank defines the "development" of developing countries as (1) economic growth; (2) general benefit to the people from economic growth; (3) strengthening of the capability for national independence; (4) strengthening of the capability for scientific and technical development; (5) ability to avoid the social problems which most strongly affect developing countries.

Therefore, the strategy of development is strategy, which considers as a whole politics, culture, economics, society, and science and technology. To use our language, it is strategy for coordinated economic political, and scientific and technical development. Li Boxi [2621 3124 3305] and other scholars have researched this issue in depth, and have put forward many enlightening views. But in practice, there are many respects in which the old framework of the economic growth has not been surpassed, and these merit attention.

B. The Distinction Between Regional Development Strategy and Regional Development Planning

Currently, many localities are conducting work in three areas: regional development strategy, long-range regional planning, and regional land management programs. Some regions have obscured the demarcation line between these tasks, and as a result the tasks have become neither fish nor fowl. I believe that these three tasks are at once related and distinct. Strategy is the

guiding thought behind planning and land management programs, while planning is the action program for implementing strategy. When planning is separated from strategy it becomes aimless activity lacking in determination; when strategy is separated from planning, it becomes impossible to implement. Strategy stresses the mid- to long-term, while planning stresses the mid- to short-term, and therefore strategy is inseparable from planning, and planning is inseparable from strategy; strategy is the precursor of planning. China is a centralized leadership state, and therefore the influence of programs on our economic life is much greater than in the West. We have made many mistakes in the past, and most were caused by errors in strategic thought, not by the planner's incompetence. As with "Surpass the UK and Catch Up with the U.S." and "Everything for Preparations for War", these errors have led to the failure of economic programs. Therefore, in order to draw up a good plan, one must first draw up a good strategy. I believe that strategy should be formulated first, and that it is inadvisable to work out the plan and the strategy simultaneously.

C. Combining Development Strategy With Reform

This is the key to whether the development strategy can be adopted and whether its quality is good or bad. We know from experience that development strategy must adequately embody the spirit of reform; we must incorporate reform into the strategy, and follow a course which combines reform with development. In the concrete handling of this problem, we must give adequate consideration to the following:

1. Following a course which combines reform with development cannot be done under the original system and policies; it requires putting forward one's own demands for reform and a new and complete set of policy proposals, based on strategic needs. One cannot wait for reform measures to be adopted and only then incorporate them into strategy; one must take the initiative in putting forth demands for reform, win the support and agreement of the higher authorities, and then incorporate the reforms into the strategy. Therefore, we must investigate and expose the abuses and contradictions of the existing system, and seek reform measures out of this.

2. Development of the commodity economy is the principal means by which various localities increase beneficial results and rapidly improve the standard of living, stimulate the economy, and promote regional development. This requires consideration of the development of such industries as banking, insurance consulting, and the information industry, as well as price reform. Price distortion is a major obstacle to the development of a commodity economy.

3. Attention must be paid to enjoying the advantages of a "first strike" in reform and the advantages of a "later strike" in development. The "first strike" advantages of

reform are precisely the development advantages which are obtained from reform. For example, Suzhou, Wuxi, and Changzhou have developed very rapidly in recent years, and their people have quickly become prosperous. The reason these regions developed so rapidly was that they were made testing grounds for reform, and obtained the "first strike" advantages of reform; the present situation is that whoever reforms first secures the advantage first. The "later strike" advantage of development refers to the following. After several other countries and regions develop first, one can have the aid of their capital technology, experience, and market channels in one's own development. In the past, Japan enjoyed "later strike" advantages vis-a-vis Europe and the U.S., and now Singapore is enjoying "later strike" advantages vis-a-vis the U.S., Japan, and Western Europe. Our regional strategies can also take into account the enjoyment of "later strike" advantages vis-a-vis regions which have developed relatively rapidly, such as Suzhou, Wuxi, and Changzhou, and using such methods as joint management of factories to absorb their capital, information, technology, and market channels in order to develop one's own region.

D. Stressing Regional Characteristics To Avoid the Trend Toward Sameness

There is currently a trend toward sameness among industrial structure adjustment targets. For example, they all stress lightening the industrial structure, and consequently there has been much growth in the light textiles industry and processing industry. This has put further strain on the raw materials industry, energy industry, and transportation industry, which were already extremely weak to begin with, and has destroyed regional specialization and division of labor, and aggravated the imbalance of the industrial structure. To give another example, because of the shortage of foreign exchange, the various regions are all stressing the development of export-oriented economies, without taking into account whether it is feasible. These phenomena reflect the problem of borrowing indiscriminately from the strategies of others. We believe that although technology can be indiscriminately copied, strategy cannot. It is necessary to start from the actualities of the region; a region cannot merely develop whatever the nation as a whole develops, or merely do whatever the central government does. This sort of indiscriminately copied development strategy is bound to fail. The development strategies of the nation as a whole and of other regions may be used for reference, but they cannot be indiscriminately copied. The result of indiscriminate copying is actually a non-development policy, and a return to the old practice of subordinates imitating superiors.

E. Attaching Importance to Agriculture, Education, and Talented Personnel

Except for a few key metropolitan economic districts, no region can ignore agriculture, and if agriculture cannot attain rapid development, and peasants cannot realize a

transition from bare subsistence to comparative affluence and prosperity, it cannot be termed "development". There is currently a tendency for the development policies of some regions to stress cities and ignore agriculture, and this is something we should watch out for. Also, education and talented personnel should also be made strategic focal points by the various regions. The people currently conducting strategic research and planning are acutely aware of the effect exerted on us by funds, natural resources, and the market, and are racking their brains to come up with countermeasures to resolve these problems. Since these problems have not yet been resolved, the strategies and plans which we formulate are empty, and can only be appreciated, not implemented. But we must understand that funds are, of course, the most direct limiting factor on our economic development, and talented personnel is the key to whether we can obtain funds. It is not a question of whether a place has resources; it is actually a question of whether it can scientifically and effectively utilize resources. In the final analysis, it is still a question of people, of whether the people are capable. And the people's capabilities depend on education; unless education is developed, the economy will inevitably fall behind. In the past, Singapore had no funds or resources; even its water was salty. The reason it was able to develop rapidly was that it came up with a way to open its doors to foreign countries and use foreign capital, foreign technology, and foreign market channels. Now it has both money and resources, and has begun to export abroad. The key to Singapore's ability to come this far lies in its people's ability to adapt to the demand for this kind of opening up. Therefore, every locality should make attention to education a strategic focal point. Overseas there is a theory of development known as "human-centered development". This theory is not entirely identical with our concept of attaching importance to talented personnel. It stresses that at the heart of development are improvement of life, improvement of quality, and the ennobling of human nature. Nevertheless, the point about the improvement of human nature is inspiring.

F. Short-Term Benefits and Long-Term Goals

In recent years, many localities have formulated development strategies, and a "strategy fever" has occurred. However, to sum up past experience, few of these development strategies have been capable of being carried out; most have caused a stir for a while and then fell by the wayside. This phenomenon is worth pondering. I believe that in order to resolve these problems, attention should be given to the following points:

1. Strategy formulation is a social project, and whether it can be implemented depends on social as well as scientific factors. Often the effect of these social factors is very great, as with the psychology of the leaders, various rules and regulations, the desires of the people, and the interests of each social stratum, and many of these transcend the category of science. Therefore, our drawing up of a development strategy is by no means merely

academic research. The ideal models of that kind of pure scientific research are out of touch with objective reality, and so naturally cannot be implemented. We feel that we must make clear from the outset that the strategy which we formulate is a strategy which will be implemented. In regard to both the content of the research and the method of implementation, we must adequately take into account social factors, and must consider a strategy for implementing strategy. We have recently adopted some fairly scientific modern methods, and worked out many ideal models which have been helpful in research, but it won't do to rely on these alone.

2. We must give attention to reeducating the cadres and the masses, particularly the leading cadres. When formulating strategy, attention must be paid to this problem with regard to both content and method. We have learned from experience that the main function of strategy is to promote reeducation, and we want to make an effort to reeducate the cadres. When ideas change, it becomes possible to implement strategy. It is therefore inadvisable to make a long list of items right off the bat, and then decide which is best. Until the cadres' ideas change, they won't be able to understand the best ones. I think it is necessary to first resolve the problem of perception, then put forward implementation programs, and last of all determine which ones have strategic significance.

3. We must combine the long-term with the short-term. Strategic research certainly must have a long-range plan, and must put forward a blueprint for the future; otherwise it can't become development strategy. But we must also take short-term progress into account, and make it possible to derive short-term benefits from the strategy. With regard to content, it must be divided into stages, with short-term goals, short-term methods, and short-term key projects. Researchers must use fully the knowledge and strategic thought they have themselves mastered in conducting propaganda directed at the concerned departments, clearly explaining the principles, winning the support of the concerned departments at the higher echelons and helping local leaders attain short-term targets. This will strengthen the leaders' confidence and determination with regard to implementing the strategy. To state it more clearly, we not only must become formulators of strategy, we must also help to implement strategy.

III. The Method of Formulating Regional Development Strategy

Because formulation of regional development strategy is a social project, its method must take into account the effects not only of scientific factors, but also of social factors. Only strategy which is formulated in this way is likely to be realized. Based on our practice, the key is to adequately handle five combinations.

A. The Combination of Modern Soft Scientific Methods with Traditional Methods

"Soft scientific methods" refers to forecast technology, systems engineering, mathematical economic models, optimization technology, market research, etc.; "traditional methods" refers to surveys, specialist consultations, comparative research, economic structural analysis, etc.

These two methods must both be used. Neither should be overemphasized at the expense of the other. Attention must be paid to regarding development as a dynamic system, and estimating to the extent possible the various situations which might arise. This requires making efforts at forecasting, performing both quantitative and qualitative forecast, and especially suggesting precautions. With regard to mathematical models, these should be regarded as a method or means of relying on mathematical models. Strategic thought can be formed only through the comprehensive application of various methods.

B. The Combination of Leaders and Specialists

The formulation of development strategy is inseparable from specialists. It requires specialists for research and formulation. But development strategy is also inseparable from leaders. It needs leaders for implementation. This requires giving play to the creative spirit of the specialists, and pooling the experience and ideas of the leaders. Therefore, in formulating strategy, there must be frequent dialogue and exchange of views between specialists and leaders.

With regard to leaders, it is necessary to be on guard against letting them set the tone and place restrictions, circumscribing the exercise of the specialists' intelligence. A good development strategy can be put forward only if the specialists are given free rein in doing research and allowed to stimulate thought. We must get rid of the practice of having leaders set the tone and the specialists write the text.

With regard to specialists, it is imperative that they be conscious of their own limitations especially their lack of practical experience, which they must absorb from the leaders. One of the important roles of the specialists is that, through seeking the opinions of leaders at all levels, they pool the leaders' opinions together, link the leaders' views, and unify the leaders' wills, making the formulated opinions more likely to be realized and facilitating their acceptance by the leaders.

C. The Combination of Soft Scientists and Hard Scientists

The formulation of development strategy requires both soft and hard scientists. Without soft scientists there would be no strategy, while without hard scientists there would be no action program. The soft scientists' job is to put forward strategic thought and a complete set of

policies, and formulate an overall implementation program; the hard scientists' job is to ensure the scientific character of strategic thought, and to convert the overall program into a workable specific implementation program.

D. The Combination of Personnel Within and Outside of the Region

A region's personnel are thoroughly familiar with the situation in the region, while outsiders are little affected by interest groups. If the two are combined, it is possible to prevent divorce from reality while reducing interference by non-scientific factors.

E. The Combination of Theory and Practice

"Theory" refers to ideological content, while "practice" refers to key items which determine whether strategic thought can be realized. Only if both of these are present can the cadres and masses experience the actual benefits which development strategy can bring. 13387

State Regulates Market, Market Guides Enterprise

40060321 Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA ECONOMIC SYSTEM REFORM] in Chinese No 4, 23 Apr 88 pp 22-26

[Article by Zhao Lukuan [6392 1462 1401] and Yang Tiren [2799 7555 0088]: "The Importance of Transforming Enterprises and Perfecting the Market System"]

[Text] Through reform and development in recent years, the personal income of Chinese workers and other laborers has grown rapidly. Meanwhile, prices too have risen sharply. There is an abnormal relationship between the two. In this far-ranging disparity, the gap between wages (including bonuses) and prices is particularly glaring. If this problem is not resolved, both reform and development will be severely curbed.

We Cannot Bridge the Gap Between Wages and Prices in a Fundamental Way Without Stopping Investment, Wages, and Prices From Rising Sharply in Turn

The disparity between wages and prices, like any other disparity, results from interactions between the two. Thus we cannot solely tackle the impact of prices on wages. Instead we must work at both ends—the impact of wages on prices and vice versa—in order to close the gap.

About the impact of prices on wages, the current wage-price gap in China's economy results from these two factors. First, after price adjustment and deregulation, the prices of some consumer goods have risen faster than wages. Second, after the prices of means of production went up, enterprises passed on the increase in costs to consumers by charging higher prices for their products.

In theory, the resulting drop in the real wages of wage-earners should be offset by some form of subsidy for workers. And that has been the general practice in recent years. In reality, however, no subsidy program can keep up with the successive rounds of price increases brought on by price adjustment and price deregulation. Clearly "subsidy" alone offers no solution to this problem. The gap can be closed only if the offering of appropriate subsidies to wage earners is combined with an effort to identify the source of successive price spirals and work out a way to stop them.

Concerning the impact of wages on prices, the current gap between wages and prices also has a two-fold reason. For one thing, as a result of over-investment and wage explosion, national income was "over-distributed" and the money supply became bloated, causing prices to soar. Secondly, returns on investment have been low and the money supply and wages have been rising faster than productivity, pushing up costs and, hence, prices.

The wage-price gap created by the mutual pressures wages and prices have been exerting on each other as a result of the two above-mentioned reasons cannot be eliminated simply by any particular subsidy formula incorporating wage indexing. Subsidy based on wage indexing, etc., will inevitably lead to wage and price spirals. To really solve this problem, we must: 1) pinpoint that portion of the wage-earners who have actually been hurt by wage and price spirals and offer them subsidies to narrow the gap, and 2) identify the fundamental reason why investment and wages have been expanding faster than productivity and hence stop wage and price spirals at their source.

The Root Cause of Successive Price Increases Is Dual Pricing

What accounts for the price spirals in China's economy today? The root cause is that China's price reformers have not freed themselves from the mentality of dual pricing—plan and market, which has proved a hindrance to price decontrol. The prices of some products are decided by the market in response to the needs of the commodity economy, while others are decided through administrative separation of power based on the need of the product economy.

Administrative separation of power in effect means giving the departments in charge of enterprises, which are Class I administrative departments, and enterprises, their subsidiary organs, the wherewithal to look after the interests of the enterprises or sectors concerned by competitive price increases. Since such interests often run counter to the general interest of society, this practice has proved to be a serious impediment to price adjustment undertaken by the state with the general interest in mind. In the early days of reform, for instance, the state raised the procurement prices of agricultural byproducts to put an end to "cheap grain hurting peasants." This was a correct move in itself and

had an immediate positive effect, increasing peasants' earnings and boosting the supply of agricultural byproducts. When departments in charge of urban enterprises and the enterprises themselves were authorized to raise prices, however, the situation changed. Rising prices for industrial products again eroded whatever benefits the peasants might have reaped from reform. Thus the prices of agricultural byproducts, which had stabilized, fluctuated once more. This is how successive increases in the prices of industrial and agricultural products came about. It is exactly because of successive price increases that the series of measures taken by the state in the last few years to adjust the price structure have not achieved the anticipated results. This shows that as a means of price decontrol, administrative separation of power militates against both economic reform and economic stabilization.

On the surface, administrative separation of power seems to serve two purposes: microeconomic vitalization and macroeconomic control. In fact, it achieves neither genuine vitalization nor effective control. In reviewing the requests for price increases from departments in charge of enterprises and the enterprises themselves, the state, with no objective criteria to go by, can only bargain with the departments and enterprises and muddle through, usually ending up having to compromise. This is precisely the reason why the principle—"increases should be absorbed by the enterprise internally,"—reiterated time and again by the state, has actually not been translated into reality.

Price decontrol through the market should have prevented successive price increases. However, because those prices under administrative management kept rising through the "bargaining" process, coupled with the fact that dual pricing has led to the appearance of the black market, prices that were supposed to be determined by the market could not stabilize. Many people, therefore, came to suspect the balancing function of the market mechanism, for no good reason. We must realize that the market cannot function normally in a dual-pricing situation with both a product economy and a commodity economy existing side by side. Therefore, current market price instability is exactly the undesirable outcome of the dual pricing system; there is nothing wrong with our reform objective of letting the market determine prices.

In a commodity economy, the prerequisites for price stability are the free movement of economic resources in response to market demand and the formation of equal profits. The formation of equal profits, in turn, depends on fair competition on the market among commodity producers. Thus the following two preconditions must be satisfied if price reform is to succeed and the wage-price relationship straightened out. First, the enterprise must become a commodity producer and operator that is truly oriented to the market. Second, prices must be set by a market regulated by the state. In accordance with the demand that the state regulates the market and the

market guides the enterprise, we must put an end to the dual pricing system as part of price reform, abandon the technique of combining the plan with market, and let the state-controlled market determine the prices of all commodities covered by the principle. Only thus would we be able to comply with the direction pointed out at the 13th NPC.

Once dual pricing is ended, the transition of price reform should proceed along these lines. Depending on the maturity of the market, we should "delegate" the power to set prices to the market step by step. In other words, 1) The prices of products whose supply and demand has become largely normal should be set by the market, while those of products whose supply-demand relationship is still rather abnormal should remain under direct state control. When conditions are ripe, their price-setting power should be "delegated" to the market. Under no circumstances, however, should the price-setting authority be "delegated" to the enterprises and their departments in charge. 2) Price decontrol should be applied to the products one by one to make sure that there is only one price for one product. Based on this form of transition, the power to determine the prices of certain products with a still immature market which had earlier been delegated to the enterprises and departments should now be returned to the state. At the present stage in price reform, the state should take these measures: employ economic, administrative, and legal tools to adjust patently irrational prices; determine shadow prices in accordance with market signals in order to regulate the market even more effectively; and create an all-round environment for the "delegation" of price-setting power to the market. To retake the power to set prices is at present a key measure to check successive price increases and prevent a drop in workers' real wages. Instead of a regression, it is a readjustment of reform direction so that reform can move ahead more healthily.

Administrative Income Distribution Is the Root Cause of the Coexistence of Demand-Led and Cost-Driven Increases

Over-investment and wage explosion have been fueling each other. Wages have been going up faster than productivity. The root cause of this goes back even further than that of the successive increases in prices, namely the decision earlier to divide income, including profit taxes and administrative contracting, and peg the increase in total enterprise payroll to the increase in total enterprise profits, via administrative means among the four levels—government (including local authorities), departments in charge of enterprises, enterprises, and enterprise workers. This kind of administrative income distribution clearly steers the operational goals of an enterprise toward the maximization of wages. Every enterprise hopes to achieve the highest wage income while expending the same amount of labor as other enterprises. This objective helps strengthen labor discipline and improve work efficiency within an enterprise, but an even more important result is that it spurs the

enterprise into expanding the scale of production endlessly so as to continuously increase the pegging base. Stimulated by administrative income distribution, enterprises behave in an expansionary manner, ignore the optimization of economic returns, and pursue absolute increases exclusively. The result is "investment fever." Hence the mutual stimulation between wage explosion and over-investment.

By pegging wages to profits, we make it inevitable for wages to grow faster than productivity, hence pushing up labor costs. This is because profits growth is made up of many elements and is not necessarily accompanied by a gain in productivity. Particularly noteworthy is that after wages are pegged to profits, the wage level would be linked to many non-labor factors, in the process greatly diluting the stimulatory effects of wages on workers. Moreover, with the state controlling the enterprise's total payroll, there is effectively a ceiling to how much an individual worker can make. Thus its effect as a stimulant to productivity is temporary.

Given a fixed total income, wages, which constitute a kind of cost, are inversely proportional to profits. In a commodity economy, this wage-profit relationship is indispensable to holding wages at a reasonable level. After wages are pegged to profits, however, it becomes a case of a rising tide raising the boat, with wages and profits inflating each other. The microeconomic mechanism for wage control no longer works. The government can only fall back on bargaining, a non-economic tool, to arrive at a pegging base and coefficient for the enterprise, a process that often ends in the government making concessions. In other words, there is pegging only when the enterprise makes a profit, not when it incurs a loss. Moreover, wages are only pegged upward, not down.

This kind of administrative income distribution is at best an improvement within the framework of a product economy, not a piece of reform aimed at the creation of a commodity economy. In a commodity economy, income distribution in an enterprise is based on profit maximization effected through the markets for key elements. So-called profit maximization is precisely the optimization of economic returns (profit rate). When we say "through the market," we mean ensuring the optimization of economic returns by a free configuration of resources (including labor resources) based on their best distribution. In accordance with this distribution model, an enterprise's total payroll definitely should not simply be a function of the profit volume. Instead, it should be determined by a profit rate based on the optimization of economic returns, using market wages as a yardstick and depending on the amount of labor expended rationally. This distribution method contains a microeconomic mechanism for pegging wages automatically to economic returns, thereby avoiding wage explosion and making it possible to control wages at the macroeconomic level. In a commodity economy, investment, as a form of input, is

also conducted through the market (such as the stock market!) in accordance with the principle of profit maximization, thus giving macroeconomic control a microeconomic basis.

If we are to avoid the kind of inflation caused by wage explosion and over-investment and the wage-price gap that exists in an inflationary situation, we must abolish administrative income distribution and establish a commodity economy-style distribution method. Accordingly, we must first turn the enterprise into a genuine commodity producer whose goal is profit maximization. Secondly, after the enterprise has adjusted its operational goals properly, we should end the practice of pegging wages to profits, which is still fueling demand explosion and inflation; abolish administrative income distribution between the government and departments in charge of enterprises, and between the departments and enterprises; and establish a sound labor market, technology market, fund market, managerial personnel market, a market for means of production, and other markets for key elements in order to create a comprehensive distribution system for the commodity economy. There is a need for the state to hang on to the power to set the wage level, or labor prices, in those occupations, trades, and areas with a highly immature labor market, and delegate such power to the market only when the latter has matured. The general direction of enterprise wage reform should be as follows: "the enterprise should determine distribution on its own, the market controls the wage level, and the government controls the market." In other words, in operational terms, the enterprise should decide the wage level on its own. In fact, however, the enterprise is only at the receiving end of market wage standards. As for the government, it controls the wage level by controlling labor supply-and-demand on the market. This reform goal is consistent with the overall objective put forward by the 13th NPC: "the state regulates the market, the market guides the enterprise."

The Only Way To Fundamentally Check Inflation and Cure the Abnormal Relationship Between Wages and Prices Is To Transform Enterprises and Perfect the Markets in Accordance With the Need of the Commodity Economy

It is clear from the above analysis that the key to bridging the gap between wages and prices lies with abolishing the two practices—administrative separation of power and administrative income distribution, delegating to the product market and the market for key elements the power to determine prices and distribute income, and fundamentally checking successive price increases and demand-led and cost-driven inflation. To achieve this reform, we must turn enterprises into true commodity producers that are oriented to the market and pursue profit maximization as their top priority and make the product market and the market for key elements operate

healthily. It can thus be seen that transforming enterprises and perfecting the market system in accordance with the requirements of the commodity economy offer a permanent solution to the abnormal relationship between wages and prices.

Both measures zero in on the microeconomy and, on the surface, seem to neglect macroeconomic control. Not so, in fact. In a commodity economy, macroeconomic control is indirect control and must rest on a microeconomic basis of proper enterprise behavior and sound market mechanisms. Without this kind of microeconomic basis, we cannot even begin to talk about macroeconomic control. Thus only by establishing this kind of microeconomic basis can we achieve macroeconomic control even as we go in for microeconomic vitalization. To zero in on the microeconomy is to begin with the basics and lay the foundation for economic mechanisms to function normally. We must not demand instant success.

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FOREIGN TRADE, INVESTMENT

Gansu Governor on Coastal Development Strategy's Challenge to Hinterland
40060297 Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
No 15, 18 Apr 88 p 31

[Article by reporter He Yiwen [0149 0076 2429]:
"Western Provinces Face New Challenges and New Opportunities, Gansu Provincial Governor Jia Zhijie Discusses 'Coastal Economic Development Strategy'"]

[Text] The "coastal economic development strategy" is a hot topic at the present National People's Congress. How do western provincial officials feel about this matter? To find out, we called on Gansu Provincial Governor Jia Zhijie [6328 1807 2638].

Jia is 52 years old this year; he has held the position of chief engineer of a large enterprise, the job of plant manager, and has been governor of Gansu since 1986.

Facing the Challenges Posed by a Great Disparity With the Eastern Region

Governor Jia first introduced two figures: the rapid economic development of the eastern and central regions in recent years has caused Gansu to fall from 21st place nationwide in 1978 to 24th place in 1986 in terms of gross value of industrial and agricultural output; during the past few years, peasant net annual income has been only 303 yuan, one of the lowest in the country. At this point, he paused for a moment, then continued by saying that the new strategy of coastal economic development proposed by the Central Committee is a policy which provides more preferential treatment for the coastal area, and submits the other areas to great pressure. He said they face the following four new challenges:

1. After effecting the new strategy, the pace of development in the coastal area may accelerate, and radiate from the eastern to the western region. This will inevitably increase the economic disparity between the two regions.

2. The state is currently implementing the principle of coupling income with return. While future eastern region economic development will bring an increase in the living standard of the workers, Gansu has been among 11 areas with wage income higher than in the hinterland and coastal area, but it apparently will be surpassed in short order.

3. A considerable proportion of Gansu's leading cadre and technical personnel have moved there from the hinterland. Rapid economic development of the coastal area could cause a talent flow to the east.

4. Gansu is a province comprised of many ethnic nationalities, and if the economic level does not rise rapidly in the near term, the effect quite possibly could be extremely detrimental to solidarity among these nationalities.

Five Opportunities Resulting from the New Situation

Of course we are by no means powerless to meet the major challenges. We recently established a group to specially research how, after the new strategy of coastal economic development becomes effective, to fully exploit Gansu's strengths in terms of energy, natural resources, machinery, chemicals, and metallurgy, to seek new opportunities in the new situation, and through them to realize an economic growth rate on a par with the coastal area. We feel Gansu will enjoy the following five opportunities:

Opportunity 1: Since the price of most domestic raw materials is lower than the price on the international market, we could formulate some preferential policies, make investment in Gansu attractive to the various coastal provinces, exploit together Gansu's abundant natural resources, turn Gansu into a raw material base for developing an export-oriented economy, and capitalize on the potential inherent in its natural resources;

Opportunity 2: The "putting both ends abroad" development policy of the coastal area could slowly diminish its need for Gansu's raw materials. Consequently, we could retain a larger proportion of raw material profits. These raw materials and their products presently are in tight supply on the international market, so if only we engage in multiple processing, we can develop ourselves through added value and added income, or export in order to generate foreign exchange;

Opportunity 3: Light industrial goods produced in Gansu itself account for only 30 percent of such goods in its markets. As the various coastal provinces proceed to handle export products, we should capitalize on this

opportunity to restructure our industrial mix, increase the proportion of light industrial products, and raise the market share of the commodities we produce;

Opportunity 4: After economic development of the coastal area, there may emerge a relative insufficiency of labor power, particularly agricultural labor power, and we could bring in such labor power from the coastal area;

Opportunity 5: Certain Gansu industries also could develop export-oriented economies. For example, we could expand production of export commodities such as carpets, grass woven goods, and local specialties.

Through an analysis of the opportunities and challenges, we feel that as the state effects the strategy of coastal economic development, the economy of the northwestern region certainly has development possibilities as well. We expect nothing less than that the original disparity between the eastern and western regions not grow greater.

We asked Jia, "During this session of the National People's Congress, did you explore the possibility of lateral economic associations with other provinces?" He said that he had, and they were presently in touch with leaders in Qinghai and Ningxia, preparing to open up the 1000 km stretch of the Yellow River from the Longyang Gorge to the Qingtong Gorge as a natural resource development region. He said they could construct 15 hydropower plants in stairstep fashion along this stretch of the river, with installed capacity of 14 million kilowatts. In addition, there are extremely abundant coal resources along the two banks of this 1000 km stretch of river, which would allow for the construction of a group of pit-mouth power plants. Furthermore, the scientific and technical personnel of this area are relatively concentrated, and if things are managed well, the area will become an important energy and raw material production base for the country.

"Does the state, simultaneous with effecting the coastal economic development strategy, have new directives for developing the northwestern region?" we asked Mr. Jia. He said the various western provinces and regions were hopeful the central government would provide the west with some preferential policies, and especially that it would adopt more effective measures to exploit the natural resources and encourage raw material production.

China's raw material prices are excessively low at present, so there is a lack of motivation to expand production in the raw material producing provinces. From the First 5-year Plan to the Fourth 5-year Plan Gansu accounted for approximately 4 percent of capital construction investment in the country as a whole; during the Fifth 5-year Plan, 1.8 percent; Sixth 5-year

Plan, 1.7 percent; and only 1 percent during the Seventh 5-year Plan. The investment proportion has dropped repeatedly, which has affected development of the raw material industry.

We were left with three impressions from our conversation with Jia Zhijie and our contact with representatives of other western provinces and regions.

1. In advancing an important national policy, we should fully consider the integral coordination of the various regions of the country. China encompasses a vast area, and there are great disparities in economic levels between provinces. If we overemphasize the development of a given area while failing to coordinate this with other areas, it will be difficult to maintain economic stability throughout the country.

2. Since we value the role of the market mechanism, we should solve as soon as possible the problem of excessively low raw material prices. Lifting price restrictions on these products could stimulate production by the raw material industry, as well as alleviate current market shortages. At the same time, it could eliminate the waste which results from excessively low prices.

3. The state should continue to provide preferential policies for the northwestern region, assist it in terms of talent, funds, goods and materials, and hold the economic disparity between the western region and other areas to within specified limits.

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Analysis of Country's Foreign Investment Climate
40060307 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 2, 30 Feb 88 [as published] pp 34-37

[Article by Xie Min [6200 1488] and Chu Xiangyin [0328 4382 6892]: "Analysis of China's Foreign Investment Climate"]

[Excerpts] Comrade Zhao Ziyang pointed out in his report at the 13th Party Congress: "With regard to the utilization of foreign funds, it is necessary to maintain a proper scale and a reasonable structure in accordance with the ability of repayment and the availability of domestic financial and material resources and to substantially increase comprehensive economic returns on the use of foreign funds. It is necessary to further perfect foreign economic legislation, implement the policy of preferential treatment, and improve the investment environment to enable foreign entrepreneurs to run enterprises in China according to international practice and to attract more foreign investment." To attract more foreign investment, it is imperative to have a social, political, economic, and legal climate favorable to the existence and development of foreign capital and an investment environment suitable for the operation of foreign capital. To increase comprehensive economic

returns on the utilization of foreign funds, it is imperative to strengthen the management and guidance of foreign investment in accordance with the national realities of China. Since the Third Plenum of the 11th CPC Central Committee, we have adopted many measures, implemented quite a few preferential policies, promulgated a host of decrees, rules, and regulations, done a great deal of work in improving China's investment environment, and achieved promising results. However, this is not an indication that a climate favorable to the existence and development of foreign capital has been formed and that a foreign investment environment has been perfected at the present stage in China. I think that much work needs to be done in regard to improving China's investment environment and attracting more foreign investment and that we should conscientiously analyze China's current investment environment, do a better job in all fields, and make better use of foreign funds in accelerating the development of the national economy and social productive forces. This article will explore issues such as what is the international investment environment, how to evaluate China's current investment environment, and how to improve our work. Comments and criticism on this article are welcomed.

II. An Objective Analysis of China's Foreign Investment Environment

Since China implemented the policy of opening up to the outside world, its investment environment has been improved substantially. Its material environment has been improved continuously and its social environment changed drastically. All in all, the improvement of the material environment has been faster than that of the social environment.

In the past 8 years or so, China has made great investment in the infrastructure of four special economic zones, 14 coastal open cities, 12 economic and technological development zones, and key industrialized cities in inland areas and established for the first time a material environment that is suitable for foreign investment. According to statistics, between 1981 and 1986, China's major coastal ports built 75 deepwater berths for ships weighing over 10,000 tons, tantamount to 54 percent of the original number, with a handling capacity of 342 million tons; and the 14 coastal open cities and the four special economic zones now have 190,000 sets of program-controlled switchboards providing direct-dial service between China and over 40 countries and regions, and the above cities have also begun civil aviation service. In addition, all open cities have made marked improvement in municipal facilities and hotels. In the past 8 years or so, guided by the policy of opening up to the outside world, China has established an initial pattern of opening up, that is opening up gradually in the order of special economic zones, coastal open cities, coastal economic development zones, and inland areas; the reform of economic structure has been continuously deepened, the mechanism of a planned socialist commodity economy and market system constantly per-

fectured, the political situation stable; policies consistent, and the legal system continuously strengthened. All this undoubtedly has played a very good role in improving social conditions for China's foreign investment. Especially in regard to foreign legislation, China has promulgated over 180 foreign economic laws, of which over 50 concern direct foreign investment. In October 1986, the State Council promulgated the "Provisions for the Encouragement of Foreign Investment." Since then, relevant departments of the government have promulgated 13 detailed rules and regulations for the implementation of the above provisions and many provinces and municipalities have formulated local provisions for the encouragement of foreign investment, thus gradually forming a legal environment to encourage and protect foreign investment.

But, judged by the comprehensive factors of an investment environment, China's investment environment, especially its social environment, is not yet ideal in comparison to other countries. Judged by the five criteria of system appraisal, China's investment environment is poor in regard to stability, flexibility, and economy and seems to be short of fairness and safety. We contend that the gap between China's investment environment and the demands of foreign capital is demonstrated mainly in the following areas:

1. The ideal environment for the existence of foreign capital is a relatively developed market economy. Since China has practiced planned economy for many years, its commodity economy is very underdeveloped and its market mechanism very incomplete. Therefore, trying to make long-term growth of foreign capital in China's planned socialist commodity economy is a new task to both foreign investors and Chinese economic managers and they both need the process in which they can understand, get to know, and adjust to each other.
2. China is a great market of 1 billion people, but this market is neither highly developed nor very open and it has not established a market system suitable for the operation of foreign capital. In China, there is no domestic money, foreign exchange, labor, technology or information market, real estate cannot be bought or sold freely, capital goods are not supplied completely through the market, and even the general consumer goods market is incomplete, causing many inconveniences. In addition, China's domestic market is mostly closed to foreign countries and has very few levels, and since the market system is incomplete to begin with, there is very little room left for the involvement of foreign investors. This is a great obstacle affecting the normal operation of foreign capital.
3. The availability of China's resources cannot meet the need of the operation of foreign capital. China is abundant in labor resources, but the labor quality is relatively low. China has rich natural resources, but very few raw materials are available for direct selection and use by foreign-funded enterprises because some need to be developed while others are not fully or well processed. Although China has established an independent industrial production system, due to the irrational structure

and ratio inside the industrial system and a relatively low level of productive forces, China can guarantee neither the supply of equipment nor production coordination needed for the production of foreign-funded enterprises, thus affecting the comprehensive economic returns of foreign-funded enterprises and the process to make products Chinese.

4. The legal environment is not perfect. Legal environment includes two aspects: 1) legislation and 2) law enforcement. In regard to legislation, China's rules and regulations concerning the use of foreign capital may be considered complete and various preferential policies and measures for foreign investment are also available. Comparatively speaking, China's rules and regulations concerning foreign enterprises are more complete than those concerning domestic enterprises, and they are by no means inferior even when compared to the foreign legislation of some developing countries. Therefore, the main reason that China's legal environment is not very attractive to foreign investment lies not in legislation but in knowing and enforcing the law. Owing to the lack of understanding of legal system, China's grassroots management departments and enterprises often either do not know or fail to abide by the law and grassroots workers lack the consciousness of observing and enforcing the law. After transmitting through different levels, some state policies, rules, and regulations may be changed or altered by the time they reach the lower level and some may not even reach certain administrative or managerial personnel. Ignoring an existing law is worse than the absence of law because with the latter, people at least can hope that some day there may be some law they can abide by.

5. There are great social and cultural differences. Due to the differences in Chinese and foreign cultural backgrounds, differences in the educational level of two cooperating parties, and differences in the concept of value, Chinese and foreign investors do not agree on many things and cannot easily understand each other on many issues. While one side may consider something natural, the other side may think it is weird. They do not speak the same language and thus are unhappy with their cooperation.

6. China's current administrative and management system is irrational in some areas, resulting in overlapping organizations, duplicate functions, red tape, low efficiency, and rigid mechanism. The work of foreign capital is shy of a unified, powerful management organization. All this is very incompatible with the characteristic of the high-speed movement of today's capital.

III. Basic Ideas for the Improvement of China's Foreign Investment Environment

Correct understanding of the historical stage China is now in is a prerequisite for better China's investment

environment. On the one hand, we must realize that thanks to the bloody struggles and hard work carried out by several generations, China has established a socialist economic system based on public ownership and a socialist political system based on people's democratic dictatorship, confirmed the status of Marxism as the leading ideology, substantially increased national economic strength, and made considerable progress in educational, scientific, and cultural undertakings. On the other hand, we should also realize that due to feudal, colonial, and semi-colonial rule, capitalism has failed to develop by leaps and bounds in China, the commodity economy is very underdeveloped, the degree of production socialization remains very low, natural economy and semi-natural economy still account for a large percentage, and the level of productive forces is low. Due to the influence of the model of a prolonged, highly centralized planned economy practiced since the founding of the PRC, China's market is underdeveloped, its market system incomplete, and its market mechanism imperfect. Due to the influence of the force of habit of feudalism and small production, people lack understanding of socialized large-scale production and of the trend of a unified world economy and reject a commodity economy and the movement of foreign funds. All this fully indicates that our society is still in the initial stage of socialism and it will remain in this stage for a long time to come.

Therefore, in regard to the environment of attracting foreign investment, unlike the Soviet Union and East European countries which have certain material bases and some capitalist developing countries which have a social and economic environment suited for the movement of foreign capital, we still have the problem of rejecting foreign capital in the ideological field. In view of this, to improve the foreign investment environment, we must base ourselves on China's national conditions and try to make the motives, goals, and interests of Chinese and foreign partners coincide. In the initial stage of socialism we should concentrate on doing a good job in the reform of the local investment climate and create and establish in many localities an investment environment suited for the existence and development of foreign-funded enterprises. And, the scale of foreign investment absorbed must conform to the capacity of the investment environment. Before China's foreign investment environment is substantially improved, the excessively fast development of direct foreign investment is bound to create burdens on the growth of domestic economy and the results are bound to be unwanted, thus affecting the function of comprehensive economic returns on the use of foreign funds.

Our basic ideas for the improvement of China's foreign investment environment are: 1) Intensifying propaganda on the necessity and certainty of opening up to the outside world in the initial stage of socialism and enhancing the understanding of commodity economy and the trend of unified world economy of the whole nation to help discard old concepts and adopt new ones.

2) Developing educational undertakings and accelerating intellectual development to raise the cultural level of the whole nation and improve workers' quality. 3) Stepping up reform and combining the improvement of the investment environment with the reform of China's political and economic structures because the degree and effect of the reform of the investment environment are determined ultimately by those of domestic structural reform. 4) Establishing as soon as possible a socialist market system with Chinese characteristics and giving priority to the development of money, foreign exchange, labor, and capital goods markets to create a better environment of a commodity economy suited for the development of foreign-funded enterprises. 5) Continuing to perfect the legal environment of foreign investment by concentrating on increasing the awareness of law observation and enforcement of grassroots administrative and managerial personnel and enterprise managers in addition to establishing and perfecting the legal system concerning foreign countries and nationals to ensure that all laws are known and observed by the people. 6) Properly increasing the degree of openness of domestic industries according to the need for the readjustment of China's industrial structure and do a good job in coordinating the substitution of exports for imports or import substitution in strict accordance with the technology-for-market principle. 7) Emphasizing the training of workers and managerial personnel and striving to improve the overall quality of Chinese employees to gradually form a contingent of skilled workers and high-class technicians and managers suited to the need of attracting foreign investment. 8) Continuing to do a good job in the investment and construction of infrastructure and paying attention to raising the comprehensive supporting capacity of energy, transportation, and communications services, construction sites, living facilities, cultural, educational, and public health facilities, and market and service industries. 9) Striving to develop intangible scientific development services such as foreign investment statistics, information analysis, and consultation helpful to foreign investment to provide scientific bases for foreign businessmen in making investment decisions, carrying out projects, and appraising results. 10) Strengthening the overall control of the utilization of foreign funds, establishing a highly efficient, flexible, functional, and powerful foreign capital control system, and avoid the influence of cumbersome administrative structure, red tape, decentralized management, administrative interference, and bureaucracy in the work of foreign funds.

12302

ECONOMIC ZONES

Zhuhai Mayor on Post-Expansion Construction Plans

40060293b Guangzhou NANFANG RIBAO in Chinese
14 May 88 p 1

[Report by correspondents Tao Guangyuan [7118 0342 0337] and Tang Jiaming [0781 1367 2494] on comments by Liang Guangda, Zhuhai mayor and party committee secretary, at a press conference held on 13 May 1988: "The Zhuhai Government Has Announced its Post-Expansion Construction Plans for the Zhuhai SEZ; Zhu-

hai Will Emphasize Development of Light, Small, Precision, and New Export-Oriented Industries and Gradually Become a Fully Functional, Modern SEZ"]

[Text] Since the Zhuhai SEZ has been reorganized and expanded, it will emphasize development of "light, small, precision, and new" export-oriented industries and gradually become a modern, export-oriented SEZ that is fully functional, rationally distributed, and highly scientific. This was announced at a press conference on 13 May 1988 by Liang Guangda [2733 1639 1129], Zhuhai mayor and party committee secretary.

Comrade Liang Guangda said that these priorities were determined by Zhuhai's geographical setting and the goal of building an industrial structure that is favorable to international market competition. Since Zhuhai is a developing SEZ with great scenic beauty, overdevelopment of heavy industries, and those that pollute the environment in particular, would be unfavorable to protecting its natural scenery and promoting tourism. Liang Guangda went on to say that Zhuhai will set up light and small industries, use factories equipped with new technology to actively develop new, small, and precision new-tech products, and become an industrial base that is internationally competitive and able to deal with all contingencies.

The Zhuhai SEZ originally occupied 6.81 sq km but was expanded to 15.16 sq km in 1983. Through 9 years of construction, the whole SEZ has been joined together and an export-oriented industrial complex focused on key industries, such as electronics, textiles, food, light industry, building materials, and chemicals, has begun to take shape. In line with the recent reforms and opening up, the State Council approved a plan on 5 April 1988 to reorganize the Zhuhai SEZ. The reorganized SEZ occupies an area of 121 sq km, including the land south of the two frontier public security inspection stations at Shangyong and Xiazha [2694], and Qi'ao Island.

Liang Guangda said that the reorganization and expansion of the Zhuhai SEZ is a new phase in Zhuhai's overall development toward an export-oriented economy and a time to make better progress. He went on to say that, based on 9 years of construction, they are going to seize the present favorable opportunity to boldly speed up the rate of development. He discussed in detail the post-expansion plans for the Zhuhai SEZ. First, he said that they are going to make greater demands on themselves to further improve the SEZ's investment climate and allow businessmen to engage in various kinds of economic cooperation in line with international practice. In line with the policy that construction of energy and communications facilities must lead the way, communications will be stressed first. Seven main lines of communication will be built in the SEZ, functional zones will be developed gradually in all areas, expansion of heliports will be speeded up, and helicopters will be used for short-distance passenger traffic. A 30,000-ton deepwater port will be built at Tangjiawan and passenger

and cargo transportation will be improved at Jiuzhou-gang, which will be turned into an open port with coordinated decisionmaking power, sensitive information facilities, and smooth circulation. As to energy, a 400,000-kw thermal power plant will be built on Qiao Island. Along with improving the hard investment climate, the soft investment climate will be actively improved. Efforts will be made to do a good job of providing all services, work efficiency will be improved, management decisionmaking power will be guaranteed to foreign businessmen who invest in enterprises, and investors will really be able to manage enterprises in line with international practice. Second, the SEZ's advantages will continue to be developed, foreign capital will be imported vigorously, lateral economic coalitions will be developed extensively, and an export-oriented economy will be developed. Liang Guangda indicated that foreign-funded projects for which agreements have been signed and the 169 that were concluded in Hong Kong in March 1988 will be implemented first. The Zhuhai government has appointed three deputy mayors to set up small groups that will be separately responsible for arranging matching funds, factory sites, and advertisement and selection of talented personnel for these projects. Moreover, doors will continue to be opened up, foreign capital will be imported and, in particular, small towns will be urged to vigorously expand their "three forms of processing and compensation trade" businesses. Liang Guangda said that businessmen are welcome to set up enterprises in the Zhuhai SEZ. They can be either wholly foreign-owned, contracted or leased state-owned, or collective enterprises. In the nearby islands of Hong Kong and Macao, a policy will be carried out that is more privileged than in the Zhuhai SEZ and investors will be allowed to set up whatever projects they are interested in. In the Zhuhai SEZ, preparations are underway to set aside a suitable district in which a more open policy will be implemented. A nonresidential, guaranteed-tax, closed, industrial district will be set up for processing exports and an investment climate will be created that transcends the current management system and is wholly in line with international practice.

The press conference on 13 May 1988 was called and run by the Zhuhai government and the SEZ management board and attended by more than 60 reporters from almost 30 press agencies in China, Hong Kong, and Macao.

12267

TRANSPORTATION

New Railway Delayed by 'Serious' Defects in Concrete Ties

40060296d Beijing RENMIN RIBAO in Chinese
19 May 88 p 2

[Text] According to a ZHONGGUO JIANCAI BAO [CHINA BUILDING MATERIALS] report, when the track-laying was nearly complete in the first phase construction of the Datong-Qinhuangdao Railway, a major

state construction project, and a test run was to be held soon, came the shocking news: The first section of the railway cannot be put into operations because of serious quality defects of the concrete ties used, which were produced by the Hongqi Cement Products Plant in Shaanxi and some enterprises owned by the railway system.

The Datong-Qinhuangdao Railway is China's first high-speed, heavy-load, electrified, double-track railway. It will be 650 km in total length. The state has already spent 7 billion yuan on it. After completion, it will make a profit of 17 billion yuan each year. The leadership of the CPC Central Committee and the State Council attaches great importance to the railway's construction and has asked the departments concerned to work with determination and in concert to insure the speedy completion and quality standard of the railway.

At the end of 1985 and in October 1986, the Hongqi Cement Products Plant of Shaanxi Province signed contracts with the Northwest Office of the former PLA Railway Corps' Engineering Command and the Materials Department of the Ministry of Railways' Engineering Command respectively for supplying nearly 300,000 type S-2 concrete ties for the new railway. After signing the contracts, the plant hastily started production, despite the fact that it still lacked the necessary equipment and technology and had not even had a product appraisal. Even though the plant's leadership and workers tried very hard, they failed to produce the desired results, as 71,000 of the ties did not meet appearance and measurement standards, for which 150,000 yuan in damage was paid the user.

The plant leadership treated the symptoms but not the disease. After much ado, the measurements of the ties were corrected. However, because they still failed to strictly follow all the technical specifications of the product, and because of problems in management, technology, equipment, and other areas, the ties produced failed to meet three major quality standards including their crack-resistance properties under static loads.

In October 1986, the Materials Department of the Ministry of Railways' Engineering Command was aware of the quality problems of the Hongqi plant, but it still signed a contract with the plant for 186,000 type S-2 concrete ties. Later it even sent a man to stay in the plant to demand early delivery of the ties.

In May 1987, the Hongqi plant was notified by the Quality Test Center of the Ministry of Railways that the product was not up to required standards. However, the plant continued production despite the notice and labeled the defective ties as qualified products.

The workers and staff members of the Hongqi plant were concerned about the quality of the product. Li Zhongmin, deputy chief of the plant's quality inspection section, brought the matter repeatedly to the attention of

the plant leadership and suggested that delivery be stopped. In October 1987, Li was removed from his position as deputy section chief because of his outspokenness. Undaunted and driven by his sense of responsibility to the state, he reported the truth about the plant's quality problems to the provincial and state departments concerned.

The Hongqi plant's quality problems were taken seriously by the departments concerned. In July 1986 and October, November, and December 1987, for four times the Ministry of Railways, the State Building Materials Bureau, and the Shaanxi Provincial Standardization Bureau sent people to the plant to make spot checks on product quality. The problems, they found, were indeed very serious. The Ministry of Railways' Engineering Command has demanded the plant to pay for all the losses caused in removing and replacing the ties.

While investigating the product quality of the Hongqi plant, the departments concerned found out that other plants producing the same kind of ties also have problems. People are anxious to see how these serious problems are being handled.

12802

Changjiang Ports Handle Record Load in First Quarter

40060296b Beijing ZHONGGUO JIAOTONG BAO in Chinese 20 Apr 88 p 2

[Text] There is good news from the Changjiang. In the first quarter of this year, the volume of cargo handled by the 25 ports on the main waterway broke the 31.9-million-ton mark for the first time, an all-time high and topping the same period last year by 7 percent.

In order to fulfil the production and transport targets set for the river ports, the harbor and shipping departments along the main waterway have since the beginning of this year maintained close contacts with each other and coordinated harbor and shipping operations, while carrying out their own reforms. In addition to paying attention to the transport of materials for agriculture and key construction projects, they have also implemented the system under which specific goals are set for the management of harbor and shipping enterprises.

12802

Guangdong Invests Large Sum in Highway Construction

40060296c Beijing ZHONGGUO JIAOTONG BAO in Chinese 20 Apr 88 p 2

[Text] To meet the high volume imports of raw and semifinished materials and exports of finished goods in the rapid economic development of the coastal areas of Guangdong, the provincial department of communications will invest 657.59 million yuan in 60 highway and

bridge construction and renovation projects this year. To make sure that the key construction projects will be started on schedule, the department has signed four investment and construction contracts with local governments. The provincial highway bureau is responsible for the construction of state highways 105 and 107; the Qingyuan municipal government is responsible for the section between Shiling, Huaxian County, and Longtang, Qingyuan, of the Guangzhou-Qingyuan Highway; and the Shantou municipal government is responsible for state highway 206.

12802

Integrated Transport System Plan for Shanghai

40060296a Shanghai SHANGHAI JINGJI in Chinese No 1, 30 Jan 88 pp 29-31

[Article by Zhou Weiliang [6650 3634 4752]: "A Tentative Plan for the Development of a Highly Efficient Integrated Transport System in Shanghai"]

[Text] The State Council's reply to the proposed "overall urban development plan for Shanghai" points out: "A good job must be done in planning and improving the city's internal and external transport facilities. To ease the current strain on water, land, and air transport services and to meet the requirements of development, it is imperative to build a highly efficient integrated transport system step by step." In order to carry out the State Council's instruction, this article presents a tentative plan for the development of an integrated transport system in Shanghai based on the conditions of the existing transport facilities.

I. Present Conditions of Shanghai's Transport Services

After more than 30 years of development since liberation, a combined water, land, and air transport hub has begun to take shape in Shanghai. In 1985, goods and materials carried by water, railway, highway, and air transport services to and from Shanghai totaled 242 million tons, of which about 25 percent were transshipped to the Shanghai Economic Zone and other provinces and cities along the Changjiang. Shanghai is also one of China's major foreign trade ports, handling about 35 percent of the country's total commodity imports and exports. Obviously Shanghai's transport system plays a very important role in the economic development of Shanghai Municipality, the Shanghai Economic Zone, and the Changjiang river valley. However, because much needed improvement is overdue, transportation has become a weak link in the economy and is slowing down economic growth. The following are some major shortcomings.

1. Many forms of transport are in service, but all are overburdened. Shanghai's transport system relies mainly on rail, water, highway, and air transport services. Railways carry 70 percent of the passenger traffic and 30 percent of the freight. As both passenger and freight

volumes have far exceeded capacities, the railways have long been operating under overload conditions. The number of incoming and outgoing passenger trains handled by the Shanghai Railway Station is 50 percent over the station's handling capacity. Passenger trains are generally overcrowded. Freight yards are piled up with goods while an average of 200 cars still wait to be unloaded each day. Ports are the starting and terminal points of water routes, and water transport volume is limited to the cargo-handling capacity of ports. An obvious problem of Shanghai port is the serious shortage of berths. Compared with 1952 in the early period of the People's Republic, the volume of cargo handled by the port has grown roughly 19-fold, but the number of berths has increased only by 4 percent. As a result, each berth is handling more than 800,000 tons of cargo each year, 10 times that of Hamburg, West Germany. The shortage of berths is causing serious delays to ships and cargoes. In 1985, the number of ships waiting to dock for loading or unloading reached a high of more than 100 each day. Shanghai's Hongqiao Airport was expanded into a civil airport in the 1960's. Facilities at the airport can no longer meet today's requirements. The result is fewer international and domestic air routes and flights. Shanghai's air traffic volume is only about 1/10 that of other major cities in Southeast Asia.

The transport structure is irrational. Shanghai needs to bring in large quantities of energy and raw and semifinished materials and ship out large quantities of manufactured goods, which put heavy demands on the transport services. However, the present transport structure is irrational in many ways. The railways are still required to make short passenger and freight runs, which not only increase the strain on the railways, but hamper the development of short-distance highway transport and make little economic sense. It is also common that goods which should be shipped by water are shipped by land instead, and highways and railways often compete with each other for long hauls.

3. Coordination is poor among the different forms of transportation. An important factor which affects the handling capacity of harbors and railway stations is their lack of coordination with the trucking industry. At present, the Shanghai harbor has a perennial cargo pile-up of 600,000 to 700,000 tons. Besides its own acute shortage of warehouse and yard space, the lack of well-coordinated trucking is a major cause. An important way to coordinate the different transport services is to organize joint operations. Yet few joint transport operations have ever been organized in Shanghai. The main reason is that there is no unit specifically responsible for organizing and coordinating such joint operations, and each transport service is still doing things in its own way.

4. Means of transport are obsolete. The Shanghai Railway Bureau still relies mainly on technologically backward steam locomotives. The technical standard of motor transport is also very low. About 28 percent of trucks have already run more than 500,000 km. Aircraft

are obsolete and spend more time in repair than flight. By international standard, a passenger plane should fly about 10 hours daily, but ours can fly only 4 hours daily. Our ships should have been replaced long ago. Some ships were left over from pre-liberation years and are still in service.

II. A Tentative Plan for the Development of a Highly Efficient Integrated Transport System

The development of Shanghai's transport system should be aimed at serving the economic development not just of Shanghai but of the whole country. According to forecasts, the total volume of goods and materials going to and from Shanghai will exceed 300 million tons in 1990. Each transport service will be required to take up its share of the transport tasks. For example, by 1990, the harbor will have to handle 142.5 million tons of cargo, and the railways will carry 40 million tons of freight. To handle transport tasks of such magnitude, it is imperative to have a highly efficient integrated transport system.

An integrated transport system calls for comprehensive utilization and development of railways, water routes, highways, air routes, and pipelines; readjustment of the transport structure by rationalizing the division of labor among the different forms of transport services; coordination and organization of joint transport operations; and development of an integrated transport network with a unified management organization.

In developing an integrated transport system, an important guideline is that the development of transport services must keep abreast, and sometimes ahead, of economic development so that they can help speed up economic development. Therefore, an integrated transport system should meet the following requirements: 1. Its capacity must be equal to its passenger and freight transport tasks. 2. It must be rationally structured. 3. It must be able to coordinate the operations of the different transport services. 4. It must have modern means of transportation.

The following is a tentative plan for developing a highly efficient integrated transport system in Shanghai.

1. Development should be designed to take full advantage of the region's favorable conditions.

Shanghai Municipality is China's greatest economic center; the east region is the country's important industrial base; and the Changjiang valley is the country's most economically developed area. Shanghai is located at the center of mainland China's coastline and the eastern end of the Changjiang delta. A fairly well developed transport network already exists. A major railway network formed by two main rail lines, the Shanghai-Nanjing and Shanghai-Hangzhou railways, brings Shanghai's economic activities in close contact with the interior. As the main distributing center for coastal and inland river

shipping, Shanghai is linked by waterways with interior China and the world. Thus Shanghai has the advantages of a thriving economy and superior geographic location, and it now relies mainly on water and railway transport. It follows that the integrated transport system in Shanghai should be designed to make full use of water transport while continuing development of railways. Because water transport is rather slow compared with air transport, the development of air transport should be accelerated so that it can share the massive passenger traffic with the railways.

2. The transport structure should be readjusted.

The purpose of readjusting the transport structure is to make the best use of different forms of transport to get passengers and goods to their destinations as quickly and economically as the rate and direction of flow permit. Water transport is superior in its great carrying capacity and low cost, suitable for goods shipped in bulk. Railways are suited to middle-distance and long hauls. China has a fairly extensive railway network which can provide fairly good passenger and freight services. Highway transport is obviously the superior way to move small numbers of passengers and small quantities of goods over a short distance. Air transport is best for passengers. Accordingly the transport structure in the Shanghai area should be readjusted in the following way: Large quantities of goods destined for Shanghai should be transported mainly by water routes and, where necessary, by railways; much of the railways' short hauls should be turned over to the highways to relieve the strain on the railways and encourage the development of highway transport; and the development of air transport should be quickened to handle more passengers.

3. Transport capacities must be increased.

Increased transport capacities are essential for a highly efficient integrated transport system. Although all the transport services in Shanghai are overburdened and in need of expansion, priorities should be set in the light of Shanghai's overall urban planning. The pivot of transport in Shanghai is the harbor, and top priority should be given to expanding the harbor's handling capacity. While it is necessary to tap the potential capacity and carry out technological transformation of the old harbor area, consideration should also be given to construction of new harbor areas. For the immediate future, the emphasis should be on the technological transformation of the old docks and to renovate a number of berths by stages before 1990. For the middle and long term, in view of the future development of Pudong and areas to its south and north as envisioned in Shanghai's urban development plan, new harbor areas should be built at Luojing, Waigaoqiao, and Jinshanzui as a fundamental solution to the capacity problem of Shanghai port. Railway construction should focus on speeding up the Shanghai railway hub renovation project and the building of the new Shanghai passenger station and its supporting facilities to increase the railway hub's handling capacity. It is

estimated that the new passenger station will be put into operation in 1988, with the capacity to receive and dispatch 72 pairs of passenger trains each day, enough to meet the needs of the increasing passenger traffic until the end of the century. It is necessary to expand the Nanxiang marshalling yard and build a new marshalling yard at Xinqiao to meet the needs of growing freight transport in 2000. Air transport development should concentrate on improving the existing airports, gradually replacing the old and worn aircraft, adding new ones, opening new routes, and increasing the number of flights to meet the needs of the rapidly growing passenger traffic. Motor transport should focus on replacing old and adding new vehicles and vigorously expanding freight runs of under 200 km to ease the strain on the railways and rationalize the relationship between railway and highway transport.

4. It is necessary to develop an integrated transport network and set up a unified transport management organization.

By developing an integrated transport network, we mean to integrate the transport network in the Shanghai area with the transport network of the whole country. The framework of China's transport system consists of six east-west and six north-south main water and land routes. The east-west routes include the Beijing-Shanghai, Beijing-Baotou, and Baotou-Lanzhou main railway lines; the Lianyungang-Lanzhou and Lanzhou-Xinjiang main railway lines; the Shijiazhuang-Taiyuan, Dezhou-Shijiazhuang, and Qingdao-Jinan main railway lines; the Changjiang main waterway; the Zhejiang-Jiangxi, Hunan-Guizhou, and Guiyang-Kunming main railway lines; and the Xijiang main waterway. The north-south routes include the north-south main sea route; the Beijing-Hangzhou Grand Canal waterway; the Beijing-Shanghai and Shanghai-Hangzhou main railway lines; the Baotou-Lanzhou, Baoji-Chengdu, and Chengdu-Kunming main railway lines; the Taiyuan-Jiaozuo, Jiaozuo-Zhijiang, and Zhijiang-Liuzhou main railway lines; and the Beijing-Guangzhou main railway line. Shanghai area's transport must be developed as a part of the transport network of the country as a whole and must strengthen connections with these main water and land routes. In other words, Shanghai's integrated transport system should take its proper place in the whole country's transport network, and should not develop in a lopsided way.

There are bound to be problems in the process of building a highly efficient integrated transport system. At present, the different forms of transport are under the control of different ministries. It is necessary to set up a unified transport management organization. Its main function will be to coordinate the actions of the Ministry of Communications, the Ministry of Railways, the Civil Aviation General Administration, and other organizations on matters such as the construction of various transport facilities, development of combined transport

services, readjustment of the transport structure, and distribution of transport burdens, so that a highly efficient integrated transport system can be established in Shanghai.

III. Problems To Be Solved

1. Transportation charges. At present, there are two problems. First, the costs of all forms of transport have increased continuously, but charges have remained unchanged for a long time, making management very difficult for some transport enterprises. Second, the ratios between charges by different forms of transport are irrational, making it impossible to achieve a rational division of transport work for an integrated transport system. For example, the rational form of transport for distances under 200 km is by highways, but passengers and freight owners always choose railways because railways charge less than highways.

2. Management system. Under the present management system of the various forms of transport, there are many conflicts between different departments and regions, which tend to dampen local initiatives. It is necessary to delegate the management authority of harbors, airports, and stations to the lower levels step by step so that a management system mainly under local control can be established.

3. Investment. Transport has become a weak link in the national economy. The main reason is that for a long time too little money has been invested in transport. In Shanghai, investment in fixed assets for transport is less than 10 percent of the city's total investment in fixed assets. In foreign countries, the proportion is generally about 30 percent. Therefore, it is necessary to raise funds through different channels to increase investment in transport.

12802

AGRICULTURE

Guangdong Sugarcane Area
40060383a Beijing JINGJI RIBAO in Chinese
13 Jun 88 p 1

[Excerpt] As of the end of May, the area sown to sugarcane in Guangdong Province was 3,610,000 mu, an increase of 140,000 mu over the last pressing season.

Hebei Cotton Area
40060383b Shijiazhuang HEBEI RIBAO in Chinese
15 May 88 p 1

[Excerpts] In 1988 the planned cotton area in Hebei Province is 12 million mu. According to 11 May statistics, over 11 million mu had been sown. Although cotton area has increased over 1987, a poor output is expected because of insufficient fertilizer supplies and increased prices. Peasants are paying 1,000 to 1,200 yuan per ton for urea, and 1,600 yuan per ton for phosphate. There is also a shortage of pesticides. Cotton farmers will need 25,000 tons of pesticide, but only 10,000 tons are available.

Henan Fertilizer Supplies
40060383d Beijing JINGJI RIBAO in Chinese
4 Jul 88 p 1

[Excerpt] Beginning in July 1987, chemical fertilizer plants in 12 counties in Henan Province began directly supplying fertilizer to rural households. The price per ton of fertilizer is about 45 yuan lower than the market price in these counties.

Shandong Peasants Purchase Black Market Supplies
40060383c Beijing NONGMIN RIBAO in Chinese
3 Jun 88 p 1

[Excerpt] According to a survey of 2,010 rural households in Shandong Province, in 1987, 28.19 percent of fertilizer used came from the black market, the unit price (prices varied according to kind of fertilizer) was 0.41 yuan per kilogram, exceeding state prices by 10.41 percent. The price of urea, and compound fertilizer exceeded state prices by 30.56 percent and 33.85 percent respectively. In 1987, Shandong per capita purchases of fertilizer were 533.63 kilograms. In 1987, black market purchases of pesticides, diesel oil, and plastic film accounted for 15.11 percent, 17.68 percent, and 26.26 percent respectively of total sales. Pesticide prices on the black market were 8.59 yuan per kilogram, exceeding state prices by 70.1 percent; diesel oil prices were 1.3 yuan per kilogram, exceeding state prices by 71.05 percent; and plastic film prices were 5.15 yuan per kilogram, exceeding state prices by 4.25 percent.

Tianjin Wheat Output
40060383e Beijing JINGJI RIBAO in Chinese
7 Jul 88 p 1

[Excerpt] As of the end of June, wheat output in Tianjin totaled 529 million kilograms, a 10.9 percent increase over 1987.

Reliability Testing in Strategic Rocket Brigade
40050320a Beijing JIEFANGJUN BAO in Chinese
16 May 88 p 1

[Excerpts] "Laxity is the great peacetime enemy of military building, and rigorous training is the basic means for the units to control this enemy." Political Commissar Liu Zimei [0491 1311 5019] of a certain Second Artillery Corps [China Strategic Rocket Force] unit, emphasized this point at a conference convened by this unit on how to control laxity and prevent mishaps.

During the conference, Political Commissar Liu brought up an example about a launch fendui in a certain brigade of this unit. In the past, this fendui was afraid of accidents occurring, so it did not dare utilize its equipment. Its training was superficial, exercises were like theater, troop training ignored realities, and as a result the unit was lax in work and discipline. This caused training accidents to happen over consecutive years and brought criticism from higher levels. Over the last 2 years, the unit has absorbed this lesson and gained experience in training multi-capable individual soldiers.

When a certain brigade conducted live reliability launches, Liu led the organization's working group in personally studying the training plan, requiring the unit to operate based on actual combat needs. Over more than 40 days, the launch unit achieved the launch requirements, and in the difficult conditions of a frigid zone, produced the most accurate firing results for a certain type of missile. The unit crossed more than 10,000 li and mobilized more than 1,000 vehicle sorties without incident.

FJX-1 Electrostatic Eliminator Developed
40050320b Beijing JIEFANGJUN BAO in Chinese
12 May 88 p 2

[Text] China's first radioactive isotope electrostatic eliminator, developed by Zhang Haiying [1728 3189 5391], et al, of the Second Artillery Corps Engineering College, was recently formally finalized in design and received a second-class award for military scientific achievements. This device not only prevents detonators from exploding due to electric surges or sparks during nuclear weapon use, but is also applicable to all operations where there is a danger from static electricity. This shows that our efforts in the field of eliminating static electricity have entered a new stage.

PAP Unit Escorts Missiles
40050320c Beijing JIEFANGJUN BAO in Chinese
11 May 88 p 2

[Excerpts] Third Dadui of the Beijing [People's Armed Police] Zongdui has shouldered responsibility for missile escort since the 1960s. In more than 20 years of accompanying missiles being transported to remote launch sites, this dadui has performed its escort duty outstandingly over 100 times.

One day in the hottest part of summer, a missile was transported from a certain location to a certain launch site. The transport vehicle was sealed and did not admit any air, so the temperature within the vehicle reached 45 degrees Centigrade. Along the route, the train encountered a landslide on the tracks; traffic was stopped for several days. The soldiers did not stray far from the train and heightened their vigilance. While the train was halted, they apprehended a thief who was trying to climb into the train compartment. The round trip required more than 20 days.

Improved Vehicle Maintenance Capability
40050320d Beijing JIEFANGJUN BAO in Chinese
12 May 88 p 2

[Text] Unit 80413 has developed a new maintenance tool for large-size Huang He brand diesel vehicles; it is low-cost and convenient to use, and was certified at the ministerial level a few days ago. In testing at the unit, this tool was able to perform Class-2 and Class-3 maintenance on Huang He diesel vehicles and was 10 times more cost effective than returning the vehicles to a factory for repairs. It received a second-class award for military scientific achievements and began serial production.

PLA Navy Constructs Stations in Spratlys
40050320e Beijing JIEFANGJUN BAO in Chinese
19 May 88 p 2

[Text] Both the Spratly and Paracel Islands have been Chinese sovereign territory since ancient times. There is not only a large volume of historical materials, documents, maps, and writings, both ancient and modern, foreign and domestic, which proves this, but it is also acknowledged by many nations and world opinion.

Recently the PLA Navy received a mission to assist scientific inspection personnel in establishing a marine observation station in the Spratlys. They faced continuous poor weather conditions of high temperatures, high winds, and big waves, as well as the threat from the Vietnamese invaders, and with a spirit of sacrifice and perseverance blind to hardships, patrolled the area and spent long hours in the sea, constructing and taking measurements. This was their contribution to developing the reef and protecting China's sacred territory.

PLA Marines Stationed on Spratlys
40050320f Beijing JIEFANGJUN BAO in Chinese
19 May 88 p 2

[Excerpts] On 6 April, this reporter visited the PLA Naval Marines stationed on Huayang Reef in the Spratly Islands. They have been on the reef for 34 days.

Huayang Reef during low tide is a bumpy piece of reef, and is completely submerged during high tide.

Oxygen Equipment for High Altitude Transport
40050320g Xining QINGHAI RIBAO in Chinese
27 Apr 88 p 1

[Excerpts] Beginning with their first trip this year, all vehicle regiments of the General Logistics Department's Qinghai-Xizang depots have been equipped with oxygen equipment to solve the problem of drivers suffering from lack of oxygen along the 4,000 li transport route between Qinghai and Xizang.

The YS150-4B vehicle-mounted oxygen supply system was tested in high mountain regions and allows drivers to inhale extra oxygen while continuing to drive.

High-quality Display Developed for Space Launches

4005032h Changsha HUNAN RIBAO in Chinese
18 Apr 88 p 2

[Excerpts] The X-500 large-scale color display processing system co-developed by the National Defense Science and Technology University and the Hunan Computer Plant, and produced by the Hunan Computer Plant, was first used on 7 March during China's communication satellite launch. It is the largest and most capable display system in China.

CENTRAL-SOUTH REGION

Hunan Forum on Party Building Held *40050273 Changsha HUNAN RIBAO in Chinese* *13 Apr 87 p 1*

[By reporter Wang Maohua [8001 5399 5478]: "Stress Reform of Party Building Beginning With Leadership"]

[Excerpts] At the Provincial Party Building Forum which concluded yesterday, Mao Zhiyong [3029 5268 3938], Secretary of the Provincial Party Committee, emphasized that in the new situation of reform and relaxation, reform of party building and the inner mechanism of building a strong party should be stressed.

This meeting exchanged situations and experience in building party style and discipline, building grass-roots level organizations and dealing with unqualified party members, scientifically analyzed the party building situation in our province, studied and clarified some thinking and measures for strengthening party building under the new situation of accelerating relaxation and development in our province. During the meeting, over 20 comrades individually described their own experiences which were well-received.

Sun Wensheng [1327 2429 4141], member of the Provincial Party Standing Committee and Head of the Provincial Committee's Organization Department chaired yesterday's meeting.

Comrade Mao Zhiyong spoke at yesterday's meeting. After analyzing and elaborating on the thinking and measures for stressing reform of party building, he said that stressing reform of party building, promoting building of party ideology, organization and work style, in the last analysis should begin with the leadership and leadership organs. Leadership comrades of party committees at all levels definitely should set an example by strengthening party nature and high sense of political responsibility and in such areas as party building and party work. Party building at the grass-roots level should be spurred on by model behavior of leaders and leadership organs and building a spiritual civilization of all society should be spurred on by party building. In this way, we can lead and unite the people of the entire province and constantly push forward reform and building of Hunan.

Provincial Advisory Committee Chairman Wan Da [8001 6671] and Deputy Chairman Shi Xinshan [4258 2450 1472] attended the meeting and spoke.

After emphasizing that we should conscientiously carry out the spirit of this meeting, Comrade Wan Da pointed out that party organizations at all levels should assure the thorough execution of the party's basic line, township (town) and village grass-roots level party organizations should resolutely shift the work emphasis to reform and development of agricultural production. As long as we stress this center and strive to develop productive

forces and develop a commodity economy, and make the standard of living of the peasants begin to improve, the other work then can be completed without a hitch. Grass-roots level cadres and party members should be pushed to the front line of reform and development of production and through discipline and testing raise the fighting strength of the party. At the same time, party committees at all levels should intensify leadership of the party's grass-roots level organizations, provincial, local, and county level departments should actively support the work of township (town) areas and villages and get down to lower levels, carry out surveys and research, and resolve problems by overcoming subjectivism and bureaucratism.

Comrade Shi Xinshan said that building party style and reform and relaxation were unified and are two complementary aspects. Discipline inspection departments and cadres at all levels should place further liberation of thinking in first place, unify the creative spirit and the concept of discipline and focusing on ensuring the thorough implementation of the party's basic line, actively engage in discipline inspection work, with the utmost enthusiasm support and safeguard reform and make a new contribution to accelerating reform and building of our province.

08226

Conference on Discipline Inspection Work Held in Yueyang *40050284 Changsha HUNAN RIBAO in Chinese* *20 Apr 88 p 1*

[Text] The Provincial Discipline Inspection Commission held a conference of the secretaries of organs directly under the provincial party committee in Yueyang from 14 to 15 April to study the ways and means to further emancipate the mind, and to support and protect the reform. Yang Minzhi [2799 2404 0037], secretary, Luo Haifan [5012 3189 5672] and Tan Menglong [6223 1125 7893], deputy secretaries of the Provincial Discipline Inspection Commission, spoke at the meeting which was also attended by two comrades from the Central Discipline Inspection Commission.

The participants held that party work style and party discipline are parts of system engineering and that the whole party should go into action in an all-around clean-up. All cases of discipline violation in the party must be conscientiously handled so as to solve the problems of inertia and laxity in some units, to overcome the practice of neglecting to report or to investigate cases, and to strictly enforce party disciplines.

The conference stressed the need to streamline the relationship between the enforcement of discipline and the implementation of current policies under the conditions of reform and opening to the outside world. The discipline inspection organs must resolutely support and protect whatever is permitted by policies, and encourage

and explore whatever is advantageous to the development of productive forces. In cases where the boundary is not well defined, they must be prudent in their action. It will be necessary to hold a large-scale meeting of party members, particularly the leading cadres above the county level in the province, to discuss ways to achieve a unity of the pioneering spirit and the concept of discipline so that they can more clearly understand the function of discipline whenever there is any important change in the party's central task, in people's lifestyle, and in the existing social environments. At the same time, they must understand that along with the progress of reform, the content and requirements of party discipline would continue to develop. Therefore, they can neither stick to conventions nor become lax in discipline.

The conference called on the discipline inspection organizations and cadres at all levels to learn more about the spirit of the 13th CPC Congress, to further emancipate the mind, to be better informed about the reform, and to understand and bear in mind that the core of all our work is to develop the productive forces. Therefore, serving the development of productive forces will be the starting point in the consideration of all problems and the basic criterion for evaluating all our work. We must be at the forefront of the reform and the open door, investigate and study carefully, and draw nourishment from the comrades engaged in the reform for our own education. At the same time, we must try to understand their problems, increase our mutual understanding, and join them in overcoming every difficulty. In the case of mistakes from inexperience, we should patiently help them draw their lessons. We should give the green light or the red light according to the circumstances. The work of discipline inspection itself should also be reformed, and efforts should be made to turn the discipline inspection contingent into a highly competent force that will resolutely implement the party's line, firmly uphold its principles, impartially enforce its discipline, and enjoy the confidence of the broad masses of party members and people.

9411

SOUTHWEST REGION

Tibet Implements Residential ID Card System
40050282b Lhasa XIZANG RIBAO in Chinese
21 Apr 88 p 1

[Article by Duo Qiong [1122 4522]: "Residential ID Card System Will Be Enforced in Tibet"]

[Excerpt] The Office for Issuing Residential ID cards in Tibet Autonomous Region held a press conference with the announcement that as of 20 April the system of identification cards for residents will be phased in.

In 1985, the NPC Standing Committee approved and announced the "Regulations of the People's Republic of China on Residential Identification Cards," and in 1986,

after approval by the State Council, the Ministry of Public Security announced the detailed regulations for implementation. A responsible person of the Office for Issuing Residential ID Cards said that the purpose of this system is to safeguard the citizens' legitimate rights and to reform China's present policy of residence registration. It is of great significance in establishing a good social order, preserving political stability, and promoting the four modernizations.

Thanks to the attention of the regional people's government and the strong support of the finance bureau and the relevant departments, the ID Card Production Center of the Public Security Bureau has by now turned out more than 60,000 cards to be issued to the residents as scheduled.

9411

Lhasa Announces 'Relentless' Campaign Against Criminal Activities
40050282a Lhasa XIZANG RIBAO in Chinese
21 Apr 88 p 1

[Article by Zhu Mingde [2612 2494 1795]: "Attacking Criminal Activities, Preserving Social Order, Defending Economic Construction"]

[Excerpt] Last year, in accordance with the unified plan of the autonomous regional party committee and the supreme people's procuratorate, the procuratorial organs have launched a campaign to deal relentless blows at serious crimes. Throughout the year, the arrest of 366 criminals of various types and the indictment of 266 cases involving 322 person were approved. After the "27 September" and "1 October" riots of last year and the "5 March" riot of this year in Lhasa, and in accordance with the directives of the regional party committee, the procuratorial organs quickly dispatched their key leaders and a number of procuratorial police cadres to cooperate with the public security organs in the pretrials. The focus of the attack was directed at the back-bone splittists, the back-stage instigators, and the perpetrator of serious crimes. They have made due contributions to the preservation of the motherland's unity, the combat against splittist activities, and the speedy stabilization of the situation.

In the economic field, the procuratorial organs have continued to deal severe blows at the serious economic crimes and treat their struggle against such crimes as an important part of its work. Last year, these organs filed a total of 44 economic cases involving 50 persons with 37 indictments involving 42 persons, and saved the state from an economic loss of more than 950,000 yuan.

It is gratifying to note that the work of discipline inspection, filing charges, and handling petitions have also made new progress, and changed the former practice of working passively even in handling a small number of cases. Last year, 16 cases involving 29 persons were

closed with 11 indictments involving 20 persons. In all these indictments, the judicial courts pronounced their verdicts of guilty. In handling these cases, these organs also saved the state from an economic loss of more than 600,000 yuan, besides upholding the law, protecting the citizens' personal and democratic rights, and accelerating the progress of the region's socialist democracy and legal system. There have also been radical changes in the work of filing charges and handling petitions. Besides being entrusted with the work of receiving people's letters and visits on 262 occasions, they also reinvestigated 10 cases with historical background, and took over cases from the NPC and the regional people's congress.

9411

NORTHEAST REGION

Complaints of Unnecessary Inspection Tours, Requests for Entertainment

40050281a Shenyang LIAONING RIBAO in Chinese
18 Apr 88 p 1

[Unattributed article: "Some Rural Cadres' Complaint to Correspondent: Difficulty in Avoiding the Welcoming and Sending-Off of Guests and in Accompanying Them at Meals"]

[Excerpt] The correspondent went to a certain town of Haicheng on his news coverage and arrived there at about 10 am several days ago. According to a comrade of the staff office, the town had already prepared two tables for two groups of guests. During the town chief's interview with the correspondent, their conversation was time and again interrupted by telephone calls. Most of these calls were requests for instructions on entertaining the guests. It was not until noon, when the correspondent had his lunch in the mess hall, that he was aware of the visit of five or six groups of guests, most of them on inspection tours. After lunch, the town chief complained to the correspondent: "There are now too many people coming from above. Every day, there are six or eight groups of them. They all need the presence of the principal leader at their meals. If you don't accompany them, they will say that you are arrogant, and it will be difficult for you to do anything later."

There are several causes for such a situation. First, because of the overlapping organizations and their low efficiency, many parties would participate in the investigation of only a single matter. For example, when chemical fertilizers were in short supply, the municipal and the county authorities as well as the agriculture department and the comprehensive department would come for investigation. Finally, when the parties have finished eating and drinking, the problem of chemical fertilizer shortage may still remain unsolved. Second, there is an unhealthy trend in the organs' work style.

Some problems concerning a unit or department could have been solved through telephone conversations. Instead of this, however, the authorities had to dispatch five or six persons in a sedan in the name of "going deep into the heart of the matter." The correspondent heard some commentary from the people in the form of a doggerel: "If cadres want to get rich, they go to the countryside. After eating their lunch, they can return to be subsidized."

9411

Irregular Promotion-Seeking Practices

40050281b Shenyang LIAONING RIBAO in Chinese
19 Apr 88 p 4

[Article by Chen Jian [2525 6169]: "On 'Seeking Office by Irregular Means'"]

[Excerpts] People all agree that one of the defects in China's present personnel system for cadres is the unhealthy trend in the choice of persons. That is why the phrase "seeking office by irregular means" has gained currency among the people. This is a realistic portrayal of certain corruption in the selection of cadres as well as a forthright commentary on current evils. It is true that some people are regarding "seeking officialdom by irregular means" as an article of faith and trying every possible means to get ahead this way. Most of these people are mediocrities in integrity and ability, but adepts in sneaking through loopholes. Some of them seek officialdom by flattery and toadying; some try to "soar to the sky" through the patronage of influential persons; some try to take advantage of one another through the bartering of power; some have formed cliques to slander and exclude top-notch talents; and some have even spent money to "buy official titles" as people did in the old society. Some of these "irregular means" have proved to be effective. It was through these "irregular means" that some "slick and sly" people of mediocre integrity and ability got elected into leading bodies and important positions.

Some people are now so obsessed with the desire for officialdom that nothing can stop them from the use of "irregular means," and most of them lack integrity and real skill. But the question is how can these people succeed in getting into government service through "irregular means"? The basic cause lies in our present defective personnel system for cadres, and the absence of uniform and objective criteria for selection. Some people have to consider the personal connections involved and the applicants' backgrounds, and are guided in their choice by their personal likes or dislikes. That is how people are induced to believe in "seeking office by irregular means" and to practice it accordingly.

9411

Li Teng-hui's First 100 Days in Office Assessed
40050275 Taipei HSIN HSINWEN [THE
JOURNALIST] in Chinese No 58, 18 Apr 88 pp 20-25

[Article by Szu Ma Wen-wu [0674 7456 2429 2976]:
"Post-Chiang Ching-kuo Taiwan Learning To Adapt To
President Li"]

[Excerpts] Although Li Teng-hui [2621 4098 6540] assumed the presidency on 13 January, his pictures are still hung in the vice president's spot in the military, schools, organizations, and parliamentary chambers even today. Recently, Taipei Council member Lan Meichin [5663 5019 3160] questioned this and demanded that Li Teng-hui's pictures be placed in the position of the head of state. Municipal officials' public response was that they were "awaiting instructions from above." Privately, though, they indicated that they would wait until "after 100 days had passed after Chiang Ching-kuo's death" before switching the pictures.

After 40 years of party education and political propaganda, many people still cannot accept the fact that Li Teng-hui is "our president."

On Children's Day, Li Teng-hui opened the Presidential Palace to the public. When he told the children that everybody could become president, many still could not believe that a person not surnamed Chiang could become president.

To facilitate discussion, we divide his work in the past 100 days into three stages:

The first stage covered the month after Chiang Ching-kuo passed away. Li Teng-hui's most important task was to show his grief over Chiang Ching-kuo's death and his respect for state and party elders as much as possible. He received and visited the heads of the five Yuans, state affairs advisers, and members of the Examination Yuan in batches and asked for their advice on state matters. He called in military leaders, convened military conferences, and inspected the troops at the front and in their barracks. In addition, he summoned party cadres, heard their reports, and gave them instructions in order to establish his authority as party leader.

What was most dramatic about this month was the process in which he was elected acting chairman, a process that created a negative image in the people's mind of the official faction, particularly the Kung and Sung families, and diminished their influence—to the advantage of Li Teng-hui.

In the second stage, he began his visits to the countryside, delivered a speech during the Spring Festival, and held a press conference. Through these activities, he projected the style of a populist political leader. This was

particularly true of his performance at the press conference, which was far from perfect. But what is bad for democratic politics is not a flawed political leader, but a seemingly perfect saintly person.

As acting chairman, Li Teng-hui must have felt lonely at the top. That is why he later went traveling in the countryside, which to him was like returning to his native village. He has friends everywhere, unlike Chiang Ching-kuo who had to cultivate "13 old friends from among the people" in order to show his closeness to and love for the people. Moreover, what Li Teng-hui talked about in the rural areas was all agricultural matters, in which he is an expert. Apart from serving political propaganda purposes, his visit to the countryside paid off psychologically and gave him feedback. It gave him a kind of confidence and warmth unobtainable in Taipei. Politically and sentimentally, the rural areas and Taipei are two very different worlds to him. For a political leader close to the soil who had just gone through a court battle, his tour was an important "psychic trip."

During the third stage, he dealt with parliamentary elections, mainland policies, the Olympic Games, the Asian Development Bank [ADB], other diplomatic issues, the convening of the KMT's 13th National Party Congress, the nationalization of the military, and resignations, among other things. To establish his status as a political leader, he must show his policy-making abilities on these key issues.

The challenge facing a policy-maker is this: make effective decisions given only uncertain results and incomplete information. Thus the policy-maker's own background, experience, personality, and other subjective factors usually play a crucial role.

Comparing the styles of the three chairmen, Lin Yang-kang [2651 3152 3263], Li Teng-hui, and Chiu Chuang-huan [6726 0482 3562], an official who once held a director-level position in the provincial government said, "These three people have different personalities, which is most clear in the way they preside over meetings. Lin Yang-kang is the most capable administrator and is quick to grasp the crux of an issue. You have spoken five sentences and there are three more to go, and he already says, 'Good. Let's do it that way.' He is sharp and articulate and does nothing to hide his talents. However, he often jumps to conclusions and makes a decision before hearing others out, which makes people feel unappreciated and that they have not been treated with due respect."

"When Li Teng-hui presides over a meeting, he talks on and on. When he wraps up, he often misses the main point and does not connect with what others have said. He seems not to pay attention to others' opinions as he has already made up his mind. He is very learned but has little patience for details. If he has no actual administrative responsibilities, then his sincerity and kindness are rather patriarch-like."

"In making a conclusion, Chiu Chuang-huan has a knack for incorporating the opinions of all eight department heads. He is a great synthesizer and a good compromiser, but does not seem to have any ideas of his own."

From the agricultural revival association to the Taipei municipal government to the provincial government, Li Teng-hui impressed those who worked with him as a "jumping thinker" who, not too logically, jumps from one topic to another. He thinks faster than he speaks. Hence the "jumping" phenomenon.

In interviewing him, reporters may also discover that he often has his own way of thinking and does not necessarily answer a question directly. Moreover, a very confident and self-centered person, Li Teng-hui enjoys expressing his opinions. Some people criticize him for being too talkative and opinionated. To others, however, he has his own ideas and, like an intellectual, concerns himself with a broad sweep of affairs at a high level.

In political and social economic terms, he belongs to the enlightened but conservative type. In fact, as provincial chairman, he often emphasized "public power." He enjoys playing the violin, an instrument that demands a high degree of order and discipline. Basically, he does not take to the masses or to chaos. During his term as provincial chairman, he had to report to or answer questions on the floor of the provincial assembly regularly, which was a psychological burden to him. Lin Yang-kang's parliamentary performance was well received by the press, which gave him a sense of achievement. Li Teng-hui, however, viewed the assembly with trepidation.

Philosophically he believes in parliamentary politics and party politics. But he is obsessed with cleanliness, so he tends to reject all parliamentarians, politicians, bureaucrats, and party workers. His obsession gives him preconceived notions about people. He has strong likes and dislikes. Since he is not the shrewd, subtle, and impassive type, it is not hard to tell from his speech whom he dislikes or despises.

In his youth, Li Teng-hui attended Imperial University and National Taiwan University successively, an experience with a major impact on his political attitudes. His older brother was a soldier in the Japanese army whose whereabouts remain unknown to this day. Li Teng-hui himself was studying in Japan on the eve of Japan's surrender and witnessed Japan's defeat and revival. He is also very much aware of the influence on Taiwan today of the infrastructure and cultural habits left behind by 50 years of Japanese colonial rule. As a matter of fact, after he became president, many Japanese companies scrambled to track down his old Japanese classmates and school friends in hopes of getting on friendly terms with him.

His student days at National Taiwan University gave him a profound and intimate understanding of the 28 February incident and the Taiwan independence movement. He certainly could appreciate the feelings of the indigenous population toward the KMT regime. Only when he was promoted a member of the government council was he invited to join the KMT. Thus we can see that he had little interest in politics of the KMT variety.

His opinions on the major political matters of the day should be closely related to his experiences and background. However, after assuming the KMT's historical and ideological burdens, and before the entire power machinery is restructured, Li Teng-hui is not in a position to do much. Nor dare he do much. During the past 100 days, what he has done is certainly a far cry from what he wants to do. Nevertheless, politics is the "art of the possible." If what he has done is 70 percent of what he wants to do, that should be deemed satisfactory since there are opportunities ahead for him to try to achieve the remaining 30 percent. He is a pragmatic reformer.

On many issues, though, he probably still falls short of 70 percent. For instance, he finds himself in a rather awkward situation over the issue of National Assembly elections. He owed his election to National Assembly deputies, yet it is exactly those deputies who are now most vehemently opposed to resignation methods. After rounds of compromises, a resignation formula was worked out only to run into another snag: Should the Legislative Yuan be given examination-and-approval power, or should the decision rest with the National Security Council? Wu Pai-hsiung [0702 0130 7160] favored the former, Liang Su-jung [2733 5126 2051], the latter. In the end, Li Teng-hui ruled in favor of the Legislative Yuan. But he dare not come right out and say whether or not there would be mainland representatives although everybody knows that he would be opposed to such a representative system.

As far as foreign relations are concerned, such as the Olympic Games and the ADB, he said publicly at the press conference that he would take flexible measures consistent with national interests. During the past month, public opinion too was almost overwhelmingly in favor of participation. Foreigners simply could not make out the Chinese "semantic games," mistaking name for chastity. And the configurations of these names are privy only to Chinese semantic experts. During the era of President Chiang, we engaged in word play and considered it some kind of "spiritual victory." That should now be abolished in President Li's era.

As a Taiwanese, Li Teng-hui has more political capital than others to adopt a more open, positive tack. As far as academic, cultural, and artistic exchanges are concerned, he is fairly enlightened. Recently, however, people have been in the grip of a "mainland fever," which rather worries President Li. He appealed to the public to keep calm and sober. Although his words were superficially for the consumption of the industrial and commercial

community, "mainland fever" has already made those with a strong local consciousness uneasy. Their fear is that Taiwan will lose its identity and sovereignty. This is particularly true after the establishment of organizations like "Alliance for Chinese Unity." Li Teng-hui's speech to a certain extent reflects this anxiety. For him, this was like killing two birds with one stone. On the one hand, he tried to persuade the businessmen to keep cool. On the other hand, his words mirrored social sentiments.

Most noteworthy is his relationship with the military. He is commander-in-chief of the three armed services, but can he really give orders to Hao Pai-tsun [6787 2672 2625]? The answer probably will never be known. All the signs are that the military has become a kingdom unto itself, beyond the control of the Executive Yuan or the party. While the three services have pledged allegiance to him early on, Li Teng-hui probably has a long way to go before he replaces Chiang Ching-kuo and earns the genuine support of the military leaders. Fortunately, a number of events happened during this time—the Chang Hsien-yi incident, military officers joining the Democratic Progressive Party [DPP], and the scrutiny of the defense budget. There is a rising demand in all quarters for the party to withdraw from the military and for the nationalization of the military. So far military matters have been taken care of by Cheng Wei-yuan [6774 3634 0337] and Hao Pai-tsun and Li Teng-hui has not gotten himself too deeply involved.

There is a delicate relationship between Li Teng-hui and Yu Kuo-hua [0151 0948 5478]. Sometimes they contradict each other in what they say but seem to leave each other alone, which neither minds. The Chinese constitutional system combines the characteristics of a cabinet system with those of a presidential system. In theory, it is closer to the former. In practice, it works much like the latter. Because of this structural confusion, the Director of Information is a spokesman for both the Executive Yuan and the Presidential Palace. Only when a certain important dispute arises can this fusion in power and responsibility be resolved.

Li Teng-hui has yet to establish his authority as acting chairman. First of all, Li Huan [2621 3562] still has complete say in party matters and Li Teng-hui seldom concerns himself with them. Perhaps he simply has no interest in "party affairs." Second, the atmosphere in the standing committee of the KMT Central Committee has improved little; few people speak and the meetings are boring. The press comes up with new suggestions everyday but few of them ever make it to the floor of the standing committee. The committee has not begun debating major issues and committee members have not gotten used to Chairman Li, a mere acting chairman who has yet to establish his chairman's authority. What is certain is that he is out of his element in party work. Maybe he is not acclimatized to it.

Their work less and less meaningful, elderly standing committee members have asked to retire one after

another. It seems that unless there is a transfusion of new blood in the form of new leadership, the committee will not become a genuine decision-making center.

The DPP was highly dissatisfied with his attitude toward the 28 February incident expressed at the press conference. But as a string of documents was made public, the event was explained away. This aside, DPP's core members remain properly courteous toward him.

The church has a long relationship with Li Teng-hui. After he became president, the Presbyterian Church quieted down considerably and the New Testament Church's activities gradually wound down. The visit to Taiwan by the leaders of the World Religious Association also disposed international religious organizations favorably toward him.

After he came to power, the palace faction and the old guard suddenly felt that they had nobody to lean on and lost more than half their vitality. Li Teng-hui respects the old guard without paying them much attention. Given their totally different experiences, backgrounds, and thinking, how can they communicate with one another?

Li Teng-hui assumed the presidency on 13 January, but he has yet to warm his seat or even to steady himself on it. His wife still does not dare appear in public as first lady. He still does not dare to occupy the existing presidential office. His photos still hang in the vice president's spot. He still has not established clear leadership over the party, the government, or the military.

Li Teng-hui is in a delicate situation. His position was conferred on him by strongmen, but he must obtain power himself. Without power, he cannot do a thing.

In the days of the two presidents surnamed Chiang, Taiwan was like a sole proprietorship; nobody cared whether it made or lost money. Now the company issues stock and Li Teng-hui, chairman of the board, must be held accountable to all shareholders. He must have power if he is to do things. But he must be capable as well in order to exercise power. However, his test has yet to come. Only when an important event occurs can we tell whether or not he is a powerful leader. Nobody has gone down the road he must travel.

During the last 100 days, Li Teng-hui resembled a small fire in the stove. It may go out if we do not keep blowing it. But it may also go out if we blow too hard.

Unless this flame roars up, however, it is not much use.

'Exclusive Interview' With KMT Secretary Li Huan

40050276 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese
No 53, 14-20 Mar 88 pp 16-20

[Interview with Li Huan by Chou T'ien-jui [0719 1131 3843]: "Everything Should Conform To The Principle Of Representativeness; Exclusive Interview With Li Huan, Secretary General Of The KMT Central Committee"; date and place of interview not given]

[Text] Question: Let me ask you, how is the KMT preparing to open the 13th Congress?

Answer: The last congress of the KMT was held in 1981 and in the past 7 years there have been many changes in the situation. So last December, when Mr Chiang was still alive, we considered a decision to convene a congress this year in order to concentrate on the new situation, make some announcements to all the people in the country and to decide the direction for the future.

Why must it be convened this year? Because next year there will be elections for central government representatives and the year after that are the presidential elections, so time is very short.

The aim of the KMT is to implement the Three People's Principles, but each stage has its key tasks. At this meeting we should explore what kind of political reforms and new administrative measures we should have from now on. How we should vigorously pursue public construction so that the economy will be more prosperous? How do we effectively ensure the rights and interests of the workers in economic development? How do we break through diplomatic bottlenecks and should we rely on foreign trade talent? How does the KMT suit today's social environment? Should we change our organizational shape and work attitude? With regard to the Mainland, assuming guarantees of safety, will it be possible to do something more than now?

Since these issues not only become resolutions, but most importantly that the resolutions will subsequently be carried out and not shelved, before they are proposed, I hope to solicit opinions of party members broadly and pool the wisdom of the masses, so that the future resolutions will, on the one hand, be suited to the wishes of party members and the masses, and on the other, will also be feasible, just high-flown words will not do either.

We are currently soliciting opinions on the meeting from the party and cadres and we have obtained many responses. We will reorganize and summarize these opinions and then put them into proposals. I hope that the units' proposals can be produced by the end of March, the tasks reorganized in April and then reported to the Central Standing Committee for approval in May. I also want to stress that in the discussion process, we should broadly solicit everyone's opinion and in the

future when investigating, everyone can read, think, and research them more and make every effort to distribute them, otherwise it will be difficult to pursue them.

Question: Everyone is concerned about how the representatives for this meeting are to be produced. What kind of changes will this meeting have with regard to the power structure of the KMT?

Answer: The 13th Congress hopes to conform to the principle of "representativeness" in all areas—that the delegates attending the meeting will be representative, that the Central Committee members elected will be representative, and even that the lineup of the Central Standing Committee will be representative, only then can the party take root among the masses.

For example, one-quarter of our population are workers, therefore we will definitely have representatives of workers, definitely have representatives of peasants, and in addition youth, women, the self-employed, small and medium sized enterprises, etc. all will have their representatives as well, only in this way can the party's resolutions in various areas be based on the summation of the opinions of the strata; at the same time, only then can the party's power structure also reflect the make-up of society and the masses.

We will adopt democratic ways to elect these people, all of them will be produced through free elections.

Question: Will it all be open to the public? Why do reports say that 30 percent will be nominated by the party?

Answer: This sort of report is inaccurate now, and so is the statement that the delegates will elect 1,011. To be honest, the organizational work committee still hasn't proposed a real plan.

Question: Has this argument been considered and researched in the preliminary work of the organizational work committee?

Answer: No, absolutely not. I just discussed with Kuan Chong whether we should find an opportunity to deny this argument, and if we use a more correct method it would also seem obviously too serious.

I can say categorically that at least up to today (8 March, ed), a tentative program has not yet been completed on the matter of the number of people and the proportion of nominees not to mention a fixed program having been basically completed.

Question: As General Secretary, what do you think of this?

Answer: I think that the number of people and the method of electing the Central Committee should be debated and decided by the congress. In other words,

after the method of electing the members of the Central Committee has been proposed to the congress, the congress will decide; the method of electing the Standing Committee members will be debated and decided by the new Central Committee members. Even if draft proposals are proposed in the process of making preparations, they definitely should be affirmed by the 13th Congress, and if there are different opinions, they can be proposed, and finally they will be revised in line with the views of the majority. In short, the 13th Congress will strictly observe a democratic process.

Question: What are the views on considering the selection of representatives to attend the congress?

Answer: There is a relationship between the number of representatives and the capacity of the meeting hall. In principle as much as possible non-voting members will be reduced and voting members increased, for only then will it have forceful representative significance.

Question: Is there a possibility that there will not be non-voting persons but only voting members will attend?

Answer: There may be some difficulty here. For example, Advisory Committee officers are definitely non-voting. Or again, if the chairs at various levels are involved in election of representatives, and if they participate in the election it is quite easy for them to be elected but they could make up the quota of representatives, furthermore, they would strip the party members of their opportunities, and thus they still should attend the meeting on a non-voting basis. In their work they need to understand the discussion of the congress but do not have the right of voting or resolution.

Question: If the number of non-voting attendees is reduced, which non-voting attendees from the past will be dropped?

Answer: This has not yet been determined but is still under study by the organization work committee. But, for example, some bureau and office heads or officials of divisions and committees do not have Central Committee rank, and in principle we encourage them to run for election as representatives and if they are elected of course they will attend as voting members, but if they are not elected, for the time being it would be best if they did not participate.

Thus, except for the current Central Committee members, who will of course be representatives, other Central Advisory Committee members, Central Committee alternate members and cadres will be non-voting members. Then, to the extent possible we will open up opportunities for party members who have been elected representatives to attend as voting members.

Question: In the past, did the so-called "representatives behind the enemy lines" attend meetings as voting or non-voting members? How were they selected?

Answer: They were voting members, but at this meeting, the representatives behind enemy lines will truly represent the persons behind enemy lines, and party members who cross over from behind enemy lines or party members who come from the mainland, will truly be people who come from mainland regions. But to avoid influencing their return to the mainland to continue their work, there may not be too many of this type of people.

Question: We've heard that the 13th Congress is considering letting students from the Chinese Mainland who are studying abroad participate, is this true?

Answer: No. They aren't members of the KMT, you see. This is possibly because some have combined two things. We are studying the issue of permitting students abroad from the mainland come to Taiwan to visit, but definitely not to participate in the congress.

Question: Have security units considered the matter of permitting students abroad from the mainland to come to Taiwan to visit and are they concerned that that will come to Taiwan to work?

Answer: This is a definite possibility. But we should not do this just because of the possibility of a few people. For example, in the past Lin Hsi-ling [2651 1585 5044] stirred up some trouble and then went back, but this doesn't matter. If several more Lin Hsi-lings come it won't matter. Much less, we should have the manpower to control this type of situation.

Question: But up to now there has been a stipulation requiring them to wait abroad 5 years before being permitted into Taiwan. Will they still be subject to this restriction?

Answer: My explanation is this: they will come, then they will leave, they won't be "settling down." Is this something which is not subject to the restriction?

Question: This is a big change, isn't it?

Answer: I think so. Do you think everyone can accept this if I explain it this way?

Question: Does this mean that it should not only be students abroad from the mainland, but the same accommodation can also be made for other important people?

Answer: Of course. We are considering this with regard to students abroad from the mainland, so cannot other persons be accommodated? Will we welcome them? This still has to be considered in terms of stipulations and policy, of course.

After this has been done, whether or not such exchanges as academic meetings and athletic and cultural activities will be opened up will be determined in the light of the situation afterwards.

My personal view is that we should definitely open up our activities to the mainland. But we cannot underestimate the Chinese communists too much, either. Some people feel that they are just a paper tiger, that it doesn't matter, and we should open things up as much as possible. That's taking things a bit too lightly, too optimistically. This is because the Chinese Communists are a political group which has struggle experience; furthermore, if you are a Chinese Communist official, you definitely also may feel that the existence of Taiwan is the greatest threat to you. They have to be defensive and so do we.

Question: Do you feel that if we launch activities with regard to the mainland we should also relax in terms of psychology?

Answer: I think that some work can be done in a carefully planned way. But we should not act blindly, either. By all means we should not feel that just because we go to the mainland that we can recover the mainland; that the other side cannot sustain an attack. Actually, it's not that simple.

Take the policy of returning home to visit relatives, for example. The Chinese communist cannot reject it to avoid incurring a negative reaction. They welcome it, but they also have some misgivings, therefore they have adopted many internal measures and each hsien has an organization especially for dealing with people from Taiwan. On the surface they are very polite, but actually, they are watching your actions.

Question: How do you assess the policy of returning home to visit relatives?

Answer: I think the results have been positive. In April the government will have a detailed assessment of the success of this policy.

Question: Do you think there will be more opening up?

Answer: It is possible that full-time party personnel, if approved, can go and their dependents need not be approved, but they should inform the party. As for government personnel, since they should uphold the principle of no government contact, the ban cannot be lifted, and as for military personnel, it is even more impossible.

Question: President Li has said that there will be no personnel changes before the 13th Congress but many people believe that after the 13th Congress there should be some changes, and some have guessed that you would form a cabinet.

Answer: I don't think this is possible.

Question: Do you feel this is because your responsibility for party affairs work is more important?

Answer: No. I often say that being in the party today is not the same as being in the Ministry of Education and being in the Ministry of Education is not the same as being at Chung-shan University. My real interest is in education. At the time since Secretary General Ma Shu-li [7456 2885 4409] insisted on retiring, Mr Chiang wanted me to come over to the party, and I also indicated that I was not suited to the burdens of this work. He hoped I wouldn't think of myself, so I came. Now, I couldn't very well leave, otherwise, I would have to tell Acting Chairman Li that I wouldn't go.

Question: There is the view now that holds that working personnel in the party are more enlightened than the people in administrative departments. What is your view?

Answer: This sort of idea may be because there is not as much flexibility as in the party, due to changes in administration and there are also certain restrictions in the decrees and the system.

But I think that in the future, the flexibility of the party should be greater, and should suit the social situation. If the party emphasizes the system too much, it definitely will become rigid. Taichung is the capital, Taitung is a rural town, Kaohsiung has many workers, P'enghu has no workers, the social situations are completely different. If the same organizational system is used to carry out party work in different regions, it would be unreasonable. I feel we should have flexibility.

At the same time, in personnel matters, we also cannot be like government departments. If a 20-year-old enters party work, he should not be kept on until he retires at 60. The government can do this, but the party should not. The party must train political cadres. After several years, a person entering party work should be allowed to go to an administrative department to develop, and take his party spirit with him. The party is an agency for cultivating and training talent. If the system of the personnel administration bureau is moved to the party, it will be very hard to see results in future party work and by all means we cannot turn the party into a bureaucratic agency. I think such issues should be raised at the 13th Congress.

Question: For many years many people have said that you are "enlightened." What do you think?

Answer: Many people have given me two titles: one is "parochial" and one is "enlightened." I often explain to people that I am not one who carries out the party's localized policies. Some have said this because I often help and look out for many young friends from this province. Actually, I am the same with people from this province and with people from other provinces. The population of this province is large, but the population from other provinces is small, and as long as you are not biased, your friends from this province will be many, and friends from other provinces will be few. If my situation

is like this, it is definitely not because I have rejected or been biased against persons from other provinces, and it is a completely natural phenomenon. I feel that the most important thing is to train talent and one need not painstakingly place stress on people from this province or people from other provinces.

Mr Chiang also did not have any secret idea of provincial origins, and if he did, Taiwan independence would probably have been established in Taiwan long ago.

"Enlightened" is in contrast to "conservative." In fact, the goals of many people are the same, it's only that the views and methods are different. Some people are for patriotism, but people feel their ways and methods of patriotism are conservative. As for me, I also want to be patriotic, and perhaps the ways and attitudes considered are different, that's all.

Question: Why do you think your attitude and methods are this way?

Answer: I think contact is a relationship. In the past I did a great deal of mass work, and this had an impact on the development of my ideas.

Question: After you became Secretary General did the opportunities for contact become fewer?

Answer: Now I often look up academic specialists to discuss issues. I feel they are more involved in the issues and many viewpoints are based on their direct contacts so it often benefits me greatly and may help me see the issues from a different angle.

I feel it is very important if we can often revise our own ideas, and accept the opinions of others.

The Chung-yung of the Confucians has influenced me a great deal. I feel that the Middle Way may be left or right, but neither left nor right. It is not like the grass on the wall swaying with the wind, but has a definite principle like a channel in the middle of a stream. But the Middle Way should accept the opinions of everyone and should be broad-minded.

Question: What is your view of the Democratic Progressive Party [DPP]?

Answer: Yesterday someone came to see me and asked the same question. I said, I am definitely opposed to the communist system and Taiwan independence and as for the petitions brought up by many people outside the party, some are of help to us and can promote our progress, and as long as they are not opposition for the sake of opposition, I feel all can be accepted. As for opposition for the sake of opposition, I can only think that perhaps from their point of view it must be done this way.

Question: What is your understanding of the intention to supplant KMT political power?

Answer: This is a democratic society. Just as is the case with our attitude toward the Chinese mainland, we are opposed to the Communist Party and the Communist system, but we are not opposed to the people of the mainland. Our attitude toward the mainland is not that one can oppose the mainland by taking mainland political power, but we hope that their political democracy, press freedom and social openness will make our mainland compatriots strive for a truly democratic and equally well-off society.

Perhaps some people will not approve of my saying this. But I think that the mainland work we are doing today will promote its democratization and without insisting on the notion of "if communism continues, we will leave."

Viewing the "supplant political power" thinking of some in the DPP from this point of view, I feel the more important thing is the issue that if our society is to go in that direction how can the country be made better and not the issue of you are in power or I am in power.

Question: What do you think of the DPP starting a telephone campaign to well-qualified representatives about the issue of the parliament?

Answer: This is to confuse the old representatives, but doing this will not necessarily get them the sympathy of society.

Question: Then the cultural work committee hopes everyone will telephone the DPP as a kind of "counter-measure." What you think?

Answer: I think this is not at all necessary.

Question: Did you know about this action by the cultural work committee ahead of time?

Answer: No. I usually let them do things like this as long as policy is adhered to.

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Interview With Legislator Huang Chu-wen
40050274a Taipei TZULI WANPAO in Chinese
21 Apr 88 p 1

["Summary" of Interview with Huang Chu-wen [7806 0031 2429], 21 April by reporter Ch'en Ts'ui-lien [7115 5050 5571]: "Increasing the Quota of Legislators Actively 'Seizes Power'"; place not given]

[Text] Recently, over 20 members of the Legislative Committee, including Huang Chu-wen, Lin Lien-hui [2651 5114 6540], Jao Yin-ch'i [7437 4481 1142], and

Wu Tzu [0702 2737] actively had discussions on organizing an "intermediate influence group" to promote a relaxation of political disputes between the government and the public and to promote the sensible use of politics. Today Legislative Committee member Huang Chu-wen received reporters from this newspaper and indicated that this group will not only prevent political polarization but more significantly will spur increasing the quota of legislators to become the leading force in the Legislative Yuan and bring along political reform.

Below are the essential points of the interview:

Question: Under what circumstances was the creation of the "Third Force" or "Intermediate Influence Group" conceived?

Answer: Our society is now at a transitional stage and all the topics of discussion are pouring out; the desire to request the government to increase the quota of legislators is on the rise but the issue of parliamentary reform has not yet been resolved sensibly which limited the space for increasing the quota of legislators. Increasing the quota of legislators on the one hand faces the first line of the charge of popular will and we hope it can guide the political situation, and on the other hand there is no way for it to develop, for the standstill of pursuing parliament's substantial program makes one even more disappointed about increasing the quota of legislators. In addition, recently the fact that demonstrations by the Democratic Progressive Party [DPP] members constantly provoked incidents makes the outside world worry that "politics is polarized" and the masses harbor doubts. If the Legislative Yuan's current method of action continues, there will be no way to stop antagonism between the two extremes; increasing the quota of legislators is truly necessary if we are to stabilize the will of the people by actual actions.

Question: Does the appearance of this idea have any relationship with the current debate of Chao Shao-k'ang [6392 1421 1660] and Li Sheng-feng [2621 0524 1496] with the DPP? Might Chao Shao-k'ang and Li Sheng-feng become members of this group?

Answer: We are not focusing on the behavior of any individual, but are based entirely on observation of the needs of the overall situation. Moreover, We do not eliminate any member of the party in power from participation in increasing quota of legislators.

Question: Some have said that the appearance of this group is related to the election of delegates to the 13th Congress of the party in power.

Answer: The aim of our group is to support election of an increased quota of legislators, to cast ballots for members of the increased quota of legislators to increase the harmony of debate in the Legislative Yuan and to raise the position of the increased quota of legislators. We stress that the members of this group definitely are not

participating in the election of party delegates but all our efforts support election of an increased quota of legislators. We do not wish to see again an increased quota of legislators be meek and subservient to secure the election of old committee members.

Question: Might this create a new faction in the Legislative Yuan? How is it different from the "3-1 Club" and "Taiwan District Friendship Society" which almost were formed in the past?

Answer: We will not be a new faction or new political group because all the members are members of the KMT and in terms of policy support the goals of the party. As concerns such groups as the "3-1 Club", their associative nature is rather strong but this group is based primarily on policy and openness with the goal of normal harmonious political activity and is prominently for increasing the quota of actors in the legislature.

Question: Have you had any specific activities up to now?

Answer: We hope to invite scholars to present some suggestions; and we have organized 1) a political committee, 2) a countermeasures committee, and 3) a public relations commission; we have taken the initiative to carry out channeling and dredging for content of proposed laws and government and public posture.

Question: According to what you said, it seems as if increasing the quota of legislators is intended to "strive for" sovereignty over the actions of the Legislative Yuan, and with regard to legislator party agencies which are still headed by highly qualified committee members, there ought to be many provocations. Has the legislator party office expressed any opinions yet?

Answer: We want to seize authority! We want to seize authority and give it to the entire increased quota of legislators. It takes too long for the old committee members to guide the debate and they really ought to hand over the reins. Even the legislator party agencies have not now and have never reacted, but this is beneficial to the party in power. I think the legislator party office should be pleased at the results.

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Analysis of Country's Name, International Status
40050274b Taipei TZULI WANPAO in Chinese
21 Apr 88 p 2

[Article by Ch'en Fang-ming [7115 5364 2494]: "The Asian Bank Model and Taiwan's Position"]

[Excerpts] In fact, the acceptance of the Asian Bank model hurt Taiwan's national position earlier. This is because Taiwan was called "Taipei, China" but without the agreement of the people of Taiwan, and without even

the agreement of "legally constituted authority" represented by thousands of years. As far as Taiwan is concerned, this name is illegal and not based in the will of the people. The so-called "Taipei, China" is still determined by the name of Beijing. The lawful China which is recognized internationally is represented by the "People's Republic of China" with Beijing as its capital. Therefore, the China in the expression "Taipei, China" absolutely refers to Beijing. For Taiwan to accept this name is equivalent to accepting Beijing's arrangements.

From the perspective of the clash occasioned by this Asian Bank contact, it can prove even more that the form and content of a country's foreign relations must be unified and absolutely cannot have the pattern of "a name is a name, participation is participation." This Asian Bank model exposed the two difficulties of the KMT. The name "Republic of China" can only be used internally and has no standing whatsoever abroad; but the name "Taipei, China" can be agreed upon abroad, but internally has absolutely no practical foundation.

That the Asian Bank model can become a matter of dispute can be seen in the internal and external aspects of Taiwan society. Internally, the KMT maintains the standpoint of "One China" purely to match its control of Taiwan and for nearly 40 years it has upheld the two pillars of the KMT system, i.e., "permanent parliament" and "provisional articles". These two pillars are not the center of gravity of the strength of Taiwan society but are based on a made-up China. Thus to rationalize its own ruling position in Taiwan the KMT must take the standpoint of "One China" to formulate laws, regulations and policies. Without the "permanent parliament" and "provisional articles" the legality and appropriateness of the KMT system immediately loses its basis. Thus, in terms of Taiwan society, the "China" which the KMT claims it represents has meaning only internally, and has no meaning at all in international diplomacy. This point suffices to explain that as long as the KMT continues to use the term "Republic of China" in international organizations, it will be its fate to be constantly excluded and isolated.

Seen from the outside, since 1949 the Chinese Communists have steadfastly presented international society with the demand for Taiwan sovereignty. From the 1950s to the 1970s, Beijing asserted "Taiwan is a part of China", basically relying on two objective facts. First, because of the model of the cold war system, Taiwan and the United States had signed a mutual defense treaty. This forced the Chinese Communists at the time into an anti-U.S. stance accusing the United States of "armed seizure of Taiwan." The noise created by Beijing over this issue became bold and assured. Second, because of the KMT's "rebellion suppression mobilization" system kept the Taiwanese on the island from having any political right to speak at all. A voiceless Taiwan was beneficial to the Chinese Communists' demands for sovereignty over Taiwan. Internationally, Taiwanese were regarded as already having accepted Beijing's demand.

These two objective conditions naturally made the standpoint of "Taiwan is a part of China" unchallengeable. In addition, the KMT also proclaimed abroad that there was only one China and that Taiwan was "Chinese territory" directly and indirectly strengthening Beijing's position in international society.

From these facts one can see that Taiwan's increasing isolation internationally day by day is due to three factors, i.e., U.S. intervention, the silence of the Taiwanese and the KMT's "One China" stand. If the KMT wants to resolve the complex issue of Taiwan and at the same time return Taiwan to international society, it must suit the remedy to the case of the three above historical factors.

In terms of the U.S. factor, since 1979, U.S. military forces have in essence withdrawn from the Taiwan Strait. Beijing has also shifted from its anti-U.S. attitude to a position of rapprochement with the U.S. In the relations between the Chinese Communists and the United States, mutual reliance has far outstripped mutual exclusion. Before 1979, the Chinese Communists always asserted that the United States must not meddle in the Taiwan issue yet after establishing relations, Beijing again demanded that Washington must play an active role in the Taiwan issue. This tendency shows that the U.S. factor is no longer a problem in the Taiwan issue.

In terms of the right of the Taiwanese to have a say in the matter, the success in founding the DPP in 1986 made the KMT no longer the only voice in Taiwan society. The KMT's attitude towards the DPP is to regard it as an imaginary enemy; but not to note alertly that the founding of the DPP helps Taiwan take the floor internationally. In other words, the pressure and demands of Taiwan society can gradually be expressed through the political activity of the DPP. If international society is to determine the future of Taiwan it cannot be only with the agreement of the KMT, but now must also consider another force in Taiwan society.

In terms of the "one China" stand of the KMT, its maintenance has clearly become a burden of the Taiwan issue. Whether Taiwan can return to international society and avoid a challenge internationally depends on whether it can escape the shadow of "China." A political entity cannot after 40 years of existence still have to struggle over the issue of name; and after specific economic forces cannot still need to struggle over an international position. KMT control in Taiwan not only in the fifties and seventies, but even today still has no clear-cut identity internationally which is brought about entirely by the standpoint of "one China."

Taiwan is a charter country of the Asian Bank and an important contributor nation to the Asian economy, and this is a fact which is recognized internationally. When this annual meeting of the Asian Bank concluded, the plenary chairman also paid high compliments to Taiwan

for going from a dependent country to a contributing member country. International society's approval of Taiwan is not because it is called "Republic of China" nor because it has been called "Taipei, China", but purely because Taiwan has an heroic economic force.

That this Taiwan delegation to the Asian Bank covered with blank paper the name tags provided by the meeting and wore badges they made themselves can only indicate that the influence of the international position for which the KMT is striving is too narrow. The dignity of a country is not maintained by relying on small actions, but must have large-scale strokes. Since the name "Republic of China" has been thwarted internationally it

has aroused a high degree of suspicion among the Taiwanese people and even brought on an enormous sense of defeat for Taiwan society.

How much less is the Asian Bank model unable to be used as the model for returning to international society. Taiwan cannot always take a new name to participate in different international organizations. Finding a name which is honorable and has a fixed meaning and acknowledges its economic power and political will is an important step for Taiwan to return to international society. The name which conforms to reality and which is commonly accepted by the Taiwanese people undoubtedly is Taiwan.

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